京投軌道交通科技控股有限公司
BII Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1522

NAVIGATING 2025

Sustainable Development

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Ms. Xuan Jing *(Chief Executive Officer)*

Non-Executive Directors

Mr. Zhang Yanyou *(Chairman)*
Mr. Cao Wei *(Vice Chairman) (Resigned on 11 April 2022)*
Mr. Guan Jifa
Mr. Zheng Yi
Ms. Gu Xiaohui *(Resigned on 29 March 2022)*
Mr. Cao Mingda *(Appointed on 11 April 2022)*

Independent Non-Executive Directors

Mr. Bai Jinrong *(Resigned on 11 April 2022)*
Mr. Luo Zhenbang *(CPA)*
Mr. Huang Lixin
Mr. Li Wei *(Appointed on 11 April 2022)*

AUTHORISED REPRESENTATIVES PURSUANT TO RULE 3.05 OF THE LISTING RULES

Ms. Xuan Jing
Ms. Cheung Yuet Fan

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUDIT COMMITTEE

Mr. Luo Zhenbang *(CPA) (Chairman)*
Mr. Bai Jinrong *(Resigned on 11 April 2022)*
Mr. Huang Lixin
Mr. Li Wei *(Appointed on 11 April 2022)*

REMUNERATION COMMITTEE

Mr. Bai Jinrong *(Chairman) (Resigned on 11 April 2022)*
Mr. Li Wei *(Chairman) (Appointed on 11 April 2022)*
Mr. Guan Jifa
Mr. Huang Lixin

NOMINATION COMMITTEE

Mr. Zhang Yanyou *(Chairman)*
Mr. Bai Jinrong *(Resigned on 11 April 2022)*
Mr. Huang Lixin
Mr. Li Wei *(Appointed on 11 April 2022)*

ESG COMMITTEE

Mr. Zhang Yanyou *(Chairman)*
Ms. Xuan Jing
Mr. Luo Zhenbang *(CPA)*

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISERS TO THE COMPANY

Chiu & Partners

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Jingtou Plaza, No.6 Xiaoying North Road
Chaoyang District, Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4407, 44/F, COSCO Tower
183 Queen's Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

COMPANY OVERVIEW

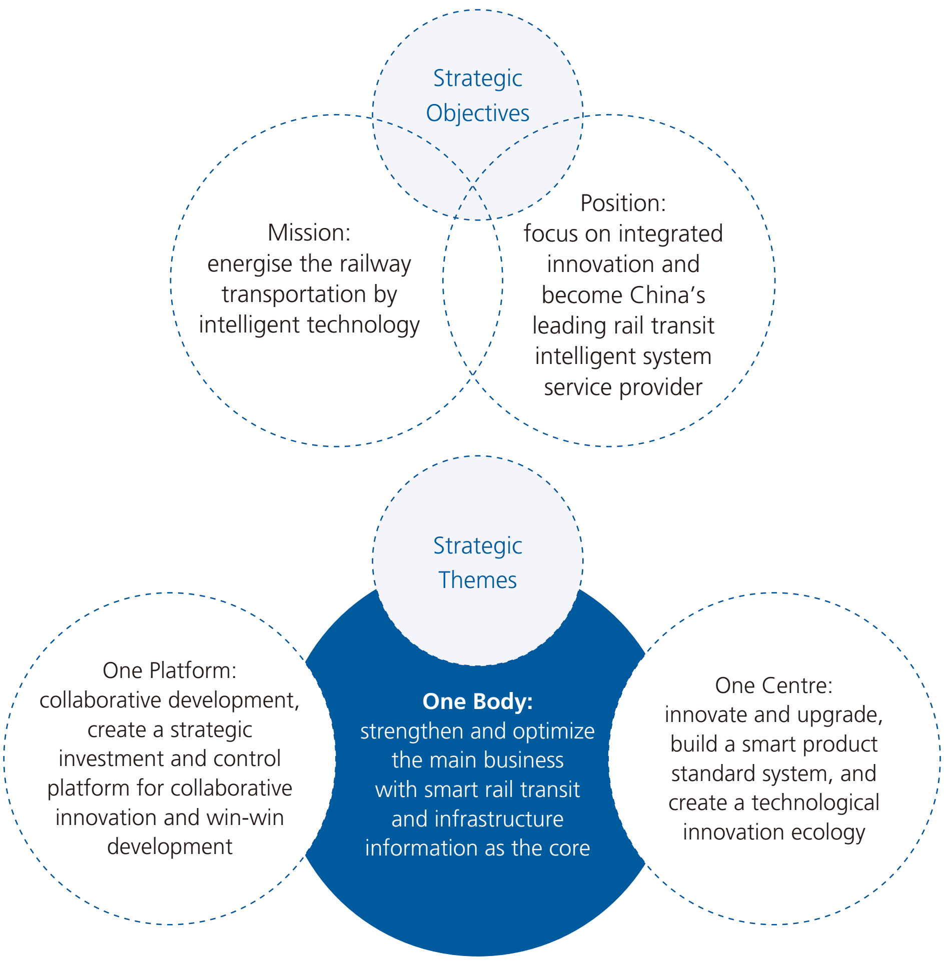
COMPANY INTRODUCTION

The Group is a high-tech enterprise specialising in the field of railway transportation, integrating investment and financing, technology R&D, and intelligent railway transportation construction, operation and maintenance.

The Company was listed on the Growth Enterprise Market (GEM) of the Stock Exchange on 16 May 2012 and transferred to Main Board of the Stock Exchange on 6 December 2013, with the stock code of 1522.

The Group, which concentrates on railway transportation industry for more than a decade, focuses on two core businesses, namely:

intelligent railway transportation	Its intelligent railway transportation business provides hardware and software products and services to clients in high-speed rail, intercity, urban and suburban railway, subway and other fields in both domestic and overseas markets. It is an industry leader in China in terms of PIS and AFC businesses.
infrastructure information	As for its infrastructure information business mainly based in Beijing, the Group is a leading provider of civil communications transmission systems for subways and integrated utility tunnel informatisation systems.



SUMMARY WITH FIGURES

The Group concentrated on railway transportation for

17 YEARS

Its businesses covered

49 CITIES

in China and

22 CITIES

overseas in thirteen countries and regions

It owned

111

PATENTS

and obtained

436

SOFTWARE COPYRIGHTS

As at the end of 2021, the orders on hand of the Group was approximately

HK$ 2.2 BILLION

The Group adheres to its market strategy of "relying on Beijing and Hong Kong, radiating across the country, and making presence in international markets" and has achieved remarkable results in market expansion.

As of 31 December 2021, the Group concentrated on rail transit for 17 years, and its business covered 49 cities in 27 provinces, municipalities, autonomous regions and special administrative regions in China, where it provided products and services, including intelligent railway transportation and infrastructure information. As for overseas market, it expanded into 22 cities overseas in 13 countries and regions.

As at 31 December 2021, the Group obtained 111 patents, 436 software copyrights and had orders in hand of approximately HK$2.2 billion.

Revenue was approximately

HK$ 1,749.2 MILLION

in 2021, representing an increase of approximately

12.9%

as compared to 2020.

Profit attributable to equity shareholders in 2021 amounted to approximately

HK$ 187.5 MILLION

representing an increase of approximately

11.3%

as compared to 2020.

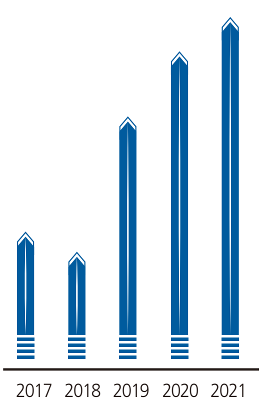
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
Key profit or loss items (HK$ Thousand)					
Revenue	**1,749,210**	1,549,976	1,193,937	453,204	564,587
Gross profit	**647,526**	615,259	424,779	108,815	113,286
Earnings before interest, taxes, depreciation and amortization	**318,475**	297,813	209,019	105,303	93,839
Profit attributable to equity shareholders of the Company	**187,535**	168,407	96,870	47,398	38,554

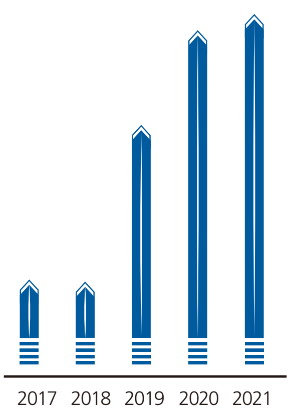
	As at 31 December				
	2021	2020	2019	2018	2017
Key statement of financial position items (HK$ Thousand)					
Non-current assets	**1,582,939**	1,468,125	1,528,471	703,412	731,123
Current assets	**2,833,723**	2,828,905	2,505,375	2,340,020	1,981,904
Total assets	**4,416,662**	4,297,030	4,033,846	3,043,432	2,713,027
Total liabilities	**1,644,768**	1,744,026	1,761,306	845,780	498,918
Equity attributable to equity shareholders of the Company	**2,660,160**	2,452,617	2,189,216	2,168,810	2,194,076

Financial year	**2021**	2020	2019	2018	2017
Return to shareholders					
Earnings per share					
– Basic (HK$ cent)	**8.9**	8.0	4.6	2.3	1.8
– Diluted (HK$ cent)	**8.9**	8.0	4.6	2.3	1.8
Dividend per share (HK$ cent)	**2.7**	2.5	2.0	1.0	1.0
Net assets per share (HK$)	**1.3**	1.2	1.0	1.0	1.0

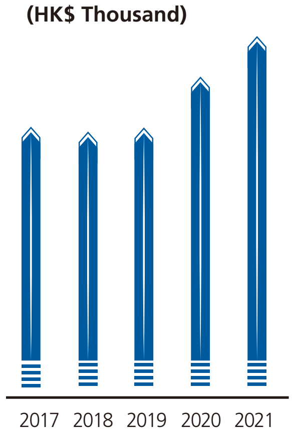
Revenue (HK$ Thousand)



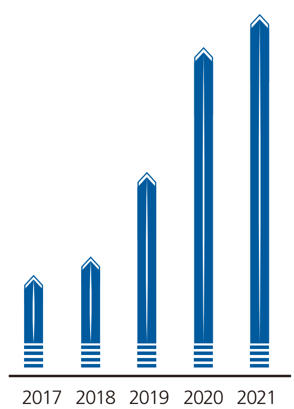
Gross profit (HK$ Thousand)



Profit attributable to equity shareholders of the Company (HK$ Thousand)



Basic earnings per share (HK$ cent)



CHAIRMAN'S STATEMENT

Adopt a strategic vision plan for development Innovate for breakthroughs Seek sustainable growth

Mr. Zhang Yanyou
Chairman

Dear valued shareholders and friends,

On behalf of the board of directors (the Board), I am pleased to present the annual results of the Group for FY 2021.

2021 is the final year in which the Group pursued its development strategy of "New Journey and Remodelling 2021". It is now prepared to adopt its new development strategy of "Better Quality and Innovation Towards 2025". As the epidemic prevention and control became stable, we remained steadfast in innovation development and operation optimisation based on the strategic theme of "one body, one platform, and one centre". The Group focused on its main businesses while making further achievements in market expansion and strategic business investment. Through continuous investment in research development, the Group has developed a wider product portfolio. The Group has also optimized its compliance and internal control system, improved branding, and consolidated internal management. All these laid a foundation for the Group's goal of seeking steady and sustainable growth.

RESULTS

The Group recorded revenue of approximately HK$1,749.2 million in FY 2021, an increase of approximately HK$199.2 million or 12.9% from FY 2020. Profit attributable to equity shareholders in FY 2021 amounted to approximately HK$187.5 million, a year-on-year increase of approximately HK$19.1 million or 11.3%, marking growth for the fourth consecutive year. This has laid a solid foundation for the Group to achieve its future strategic development goals.

DIVIDENDS

As a token of gratitude to Shareholders for their continuing support, the Board proposed payment of a dividend of HK$0.027 per share for FY 2021. The total amount of dividends will be approximately HK$56,622,961.63, with a dividend payout ratio of 30.19%, subject to the approval of the Shareholders at the 2022 AGM. The Company has declared cash dividends for five consecutive years, which is a reflection of the implementation of its medium and long-term dividend policy.

STRATEGIC RESULTS AND SUSTAINED GROWTH

The Group stayed focus in "becoming China's leading intelligent rail transit system service provider by focusing on integrated innovation". It empowered rail transit with intelligent technologies, enhanced its primary businesses, improved its investment control platform via collaborative innovation and upgraded and optimised product systems, aiming to increase its financial results steadily. It is committed to growing into "the world's top-class intelligent rail transit leader".

Consolidated primary businesses and steadily expanded the market

The Group had orders on hand of approximately HK$2.20 billion as of the end of 2021, demonstrating its great business development and strong development potential. The Group has further focused on its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets" while it successfully promoted "Beijing products + Beijing services".

In 2021, the Group made obvious achievements in business expansion. As the major area for market expansion, Beijing saw steady business development in multiple fields such as subways, suburban railways, utility tunnel, sub-centre hubs, expressways, and intelligent building sites. The Group served Beijing's intelligent subway construction with comprehensive services, facilitated rail transit development in Beijing, and protected the construction of key projects such as the Beijing 2022 Winter Olympics to make the capital's rail transportation and infrastructure more digitalised, Internet-based, and intelligent. As an important part of market expansion, the Group further expanded its national business and secured several rail transit projects nationwide, including Shaoxing Metro project that the Group undertook as a master integrator for the first time. The proportion of projects outside Beijing continuously increased, coordinated development was achieved with a regional business hub, and the brand engineering effect gradually emerged. The Group kept developing its overseas business with greater global influence. It recorded further growth in India by entering its eighth market, Bangalore. It also obtained overseas projects in Australia and Saudi Arabia. The Group operated business in 49 cities in 27 provinces, municipalities, autonomous regions and special administrative regions in China as of the end of 2021. Its business covered approximately 72% of the cities where rail transit services are available and 22 cities in 13 foreign countries. All these show that the Group's market expansion is fruitful.

Innovated and upgraded scientific research and greatly transformed scientific and technological achievements

In FY 2021, the Group's research & development ("**R&D**") investment and proportion of the number of R&D personnel remained high. It continued to take actions to meet its scientific research goal of "promoting industrial upgrading with scientific and technological innovation and enhancing core competitiveness through R&D innovation".

This year, the Group promoted the R&D of core technologies by following the development directions of cutting-edge industry technologies. It continued to build a standardised big data platform for intelligent urban rail targeting five business directions, namely passenger service, operation and scheduling, operation and maintenance management, technology and equipment, and construction management. It developed a variety of intelligent urban rail products to adapt to a new generation, including a unified rail transit data access platform, intelligent cameras for safety officers, a passenger counter, and an urban rail cloud password platform. These products have gradually been implemented or planned for applications in several projects.

Improved investments and performed precise control after investments

To continuously advance the effective operation of the strategic investment control platform, the Group invested in Zhilian Youdao and Cornerstone Huiying through several rounds of careful selections in 2021, thereby improving the structure of industries it invests in and pushing for business upgrade and expansion. Meanwhile, the Group continued to optimise scientific control and coordinated development of companies it holds shares in or controls. The "empowered and differentiated" management and control model was adopted to accurately match resources. With the building of an ecosystem led by major businesses, the Group's core competitiveness was further improved.

SOCIAL RESPONSIBILITY

The Group fulfilled its social responsibility and actively advocated sustainable development in 2021.

Built the green transit rail and constantly give back to society

To implement the important instructions of "building a safe, convenient, efficient, green, and economical integrated transportation system", the Group continuously built its strength in technology R&D, promoted the transformation of scientific research achievements and applied them in many projects. Efforts were made to reduce system operation energy consumption and improve system operation efficiency, provide passengers with a better mobility experience, upgrade services to ensure passenger safety, and facilitate rail transit intelligentisation, in a bid to build a harmonious, green and safe rail transit environment. As an immediate response to a storm in Zhengzhou, the Group rushed to repair and rescue on site, contributing to the return of normal operation in the Zhengzhou subways and the city. The Group continuously paid attention to the physical and mental health of employees, attached importance to the cultivation of outstanding talents by organising "super new stars" activity to select talents, improved employee benefits, and advocated a green and healthy office model. It actively devoted to charity activities and helped impoverished students strive to give back to society.

High standard corporate governance and strict requirements for compliance construction

The Group is well aware that strict and standardised corporate governance is the cornerstone of its longevity. It strictly followed the Listing Rules and relevant guidance, and discussed the fourth newsletters from the Stock Exchange of Hong Kong at the Board meetings. In addition to the annual centralised revision of the overall policy system, the Group formulated the Implementation Plan for the Building of the Compliance Management System in early 2021 to promote the in-depth integration of legal affairs, internal control, risk control, compliance, auditing, post-investment evaluation, and other systems, with an aim to achieve higher corporate governance standards.

The Group will keep improving its social responsibility system, changing means to fulfil responsibilities and enriching practices to fulfil responsibilities in the future to share the same breath and destiny with the country and the society and contribute to the sustainable development of mankind.

PROSPECTS

As a chairman of the Board, I will guide the Group to concentrate on its primary businesses, "Investment plus innovation", which will lead the intelligentisation of the Group. The Group will seize the opportunities arising from the digital and low-carbon transformation and upgrading of rail transit, the market needs of the rapid development of Beijing's intelligent subway, and new business formats and new opportunities in the rail transit industry amid the pandemic. The proportion of its self-developed products production and processing of will also be increased. The purpose is to further our market size, enhance coordinated development, and achieve high-quality business development.

The size of China's rail transit industry will remain at a high level in 2022. In the meantime, driven by the rapid development of smart cities and increase in popularity of artificial intelligence technology, the rail transit industry will enter a new era of intelligentisation. In the face of a future filled with opportunities and challenges, the Group will always adhere to its technology-driven strategy, continuously focus on innovation-driven moves, increase efforts on service assurance, and promote the modernisation of corporate governance level and governance capability. Efforts will be made in various areas, such as brand building, product development, technological innovation, quality improvement, system building, and ecological integration, to achieve rapid development and quality improvement during changes. It will strive to stabilise the operation of rail transit system, make mobility convenient for passengers, build green, smart cities, and create returns and values for Shareholders.

In 2022, the Group will maintain high standards of pandemic prevention and control under the normalisation of pandemic prevention and control. It will conduct operation management in an orderly manner and tighten controls to reduce costs and enhance efficiency, in a bid to minimise the impact of the pandemic on businesses.

APPRECIATION

On behalf of the Board, I would like to thank all of our staff members and the management teams for their tireless efforts and outstanding contributions to the steady development of the Group. I would also like to express my appreciation to our customers, partners and peers as well as our shareholders and investors for their long-term strong support and trust.

We will strengthen our existing business by improving quality and innovating. Let's all forge ahead for a better future!

Chairman
Dr. Zhang Yanyou
Hong Kong, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Ms. Xuan Jing
Chief Executive Officer

MARKET AND BUSINESS ENVIRONMENT

2021 is the first year of development under China's 14th Five Year Plan and a crucial year for the acceleration of building China into a country with a strong transportation network. According to the data from the China Association of Metros, as of 31 December 2021, a total of 50 cities in mainland China have opened up rail transit lines spanning over a length of 9,192.62 kilometers ("**km**"), an increase of approximately 15% compared with the previous year, showing a good growth momentum. Among the rail transit lines, 39 urban rail transit lines (sections) were newly added, spanning over a length of approximately 1,200 km in China in 2021. Five cities including Luoyang and Shaoxing opened urban rail transit lines for the first time. The rail transit industry continued to maintain a steady development trend. Besides, the total length of railway lines exceeded 150,000 km as of the end of 2021, and the total fixed-asset investments in railways reached RMB748.9 billion in 2021. Several railway lines, including the Beijing-Chengde section of Beijing-Harbin High-speed Railway, Xuzhou-Lianyungang High-speed Railway, and Zhangjiajie-Jishou-Huaihua High-speed Railway were put into operation. Railway investments continued to remain at a high level.

In 2021, Beijing's rail transit network had a total passenger volume of approximately 3.07 billion, and the average daily passenger volume had reached approximately 8.41 million. With the opening of 9 railway lines, namely, Beijing Subway Line 8's northern section in Phase III, Line 11's western section, Line 14's remaining section, Line 17's southern section, Line 19's Phase I, Capital Airport Express' western extension, Line S1's remaining section, and the northern section of the southern extension of Changping Line's Phase I, Beijing's rail transit operating mileage reached 783 km, with 27 railway lines and 459 stations in operation as of the end of 2021. This represents continuous improvement of the modernisation of urban transportation system.

Under the guidance and support of macro policies, the railway and urban rail transit sector in mainland China will maintain rapid development, thereby driving the rapid development of the entire industry chain involving investment, construction, operation and maintenance. Under the industry environment, the Group has achieved its strategic goals of 2021 by virtue of its own advantages, its research and judgement on development opportunities. It integrated internal systems and gained momentum to lay the foundation for sustainable growth in the future.

BUSINESS REVIEW

Overview

2021 was a crucial year for the development strategy of the Group. Under stable and orderly epidemic prevention and control, the Group continued to concentrate on its major business development based on the strategic theme of "one body, one platform, and one centre". The Group increased its market expansion efforts, enhanced coordinated development advantages of its strategic investment control platform, and upgraded innovative scientific research technologies and product systems. Multiple measures were taken to reduce costs and increase efficiency, improve the building of compliance systems, and enhance brand influence. In 2021, the Group's two major businesses, namely the intelligent railway transportation business and infrastructure information business, developed steadily with an improvement in results.

In 2021, the Group continued to adhere to high standards of epidemic prevention and control efforts. It held 11 special work meetings on epidemic prevention and control throughout the year to publicize the documents related to prevention and control work. The Group actively deployed and implemented prevention and control measures such as vaccination of its employees, with the vaccination rate of employees as high as 95%. The Group also paid attention to the epidemic prevention and control of overseas employees. As a result, no employee was infected by the epidemic in 2021, laying the foundation for steady business development.

The Group's operating results increased significantly and its operating quality improved continuously in 2021. Sales revenue increased by approximately 12.9% from the previous year to approximately HK$1,749.2 million. The sales revenue of the intelligent rail transit business was approximately HK$1,516.2 million, representing an increase of approximately 13.1% over the previous year, accounting for 86.7% of the total sales revenue. The growth is mainly attributed to the continuous expansion of the Group's projects in mainland China outside Beijing. The sales revenue of the infrastructure information business accounted for approximately 13.3%, amounting to approximately HK$233.1 million, representing a year-on-year increase of approximately 11.3%. With an increase in sales revenue, the Group's gross profit margin in FY 2021 remained stable at approximately 37.02%. The profit attributable to equity shareholders was approximately HK$187.5 million, an increase of approximately 11.3% compared with the previous year and the dividend per share rose to HK$2.7 cents (FY 2020: HK$2.5 cents).

The Group adhered to its market strategy of "relying on Beijing and Hong Kong, stepping up presence nationwide, and exploring international markets", and it made great progress in market expansion. The Group participated in several subway and suburban railway projects, including the Beijing Subway Line 11 project, an urban sub-centre hub building project, and intelligent building site projects in Beijing. It expanded its footprints to two cities in mainland China, namely Huangshi in Hubei and Nagqu in Tibet. Moreover, the Group tapped into four foreign countries, namely Australia, Saudi Arabia, United Arab Emirates ("**UAE**") and Nigeria, through its international business department. As of the end of 2021, the Group's businesses covered a total of 49 Chinese cities and 22 cities in 13 foreign countries. The Group had orders on hand of approximately HK$2.20 billion as of the end of 2021, representing an increase of approximately 6.8% over the same period of the previous year.

The Group has also actively explored innovation business in rail transit while focusing on the development of its main businesses. The investment in technology research and development ("**R&D**") maintained at a high level and amounted to approximately HK$164.4 million, which represented approximately 9.4% of the total revenue in FY 2021. The investment effectively promoted the transformation of scientific and technological achievements to establish technological innovation reserves, boost the Group's profitability in the future and consolidate the foundation for enhancing the Group's intelligent railway transportation business. The Group paid continuous attention to intellectual property protection. It obtained 25 new patent certificates (111 in total as of the end of 2021) and 88 new software copyright certificates (436 in total as of the end of 2021) in FY 2021, which have been applied in many projects to maintain a strong level of R&D innovation and to enhance the quality and efficiency for sustainable development of the Group.

In 2021, the main business of Huaqi Intelligent remained stable, but affected by the slowdown of the market demand and the adverse impact of the international macroeconomic environment, the performance of Huaqi Intelligent declined compared with the previous year. Reference is made to the Company's circular dated 31 January 2019 concerning, among other things, the acquisition of 95% equity interest in Huaqi Intelligent (the "**VSA Circular**"). Capitalised terms used herein shall have the same meanings as defined in VSA Circular. As the 2019 Actual Performance, the 2020 Actual Performance and the 2021 Actual Performance (in aggregate) is expected to be less than the 2019 Guaranteed Performance, the 2020 Guaranteed Performance and the 2021 Guaranteed Performance (in aggregate), the 5th Payment payable by the Company to NetPosa shall be adjusted by off-setting the compensation amount payable by NetPosa to the Company (the "**2021 Compensation Amount**"), which will be calculated as follows:

$$\text{2021 Compensation Amount} = \frac{\text{((2019 Guaranteed Performance + 2020 Guaranteed Performance + 2021 Guaranteed Performance) – (2019 Actual Performance + 2020 Actual Performance + 2021 Actual Performance))}}{\text{(2019 Guaranteed Performance + 2020 Guaranteed Performance + 2021 Guaranteed Performance)}} \times \text{Consideration}$$

Regarding the overall situation of Huaqi Intelligent's performance commitment period in 2019, 2020 and 2021, which will determine the amount of the 2021 Compensation Amount, the Group will make further disclosure after the issuance of the special audit results on the financial performance of Huaqi Intelligent. The preparation of such special audit results is expected to be completed in around June 2022.

Should the 2021 Compensation Amount be greater than the sum of the 5th Payment, the Deferred 3rd Payment and the Deferred 4th Payment, the Company shall not be required to make payment of the 5th Payment, the Deferred 3rd Payment and the Deferred 4th Payment at the relevant time, and Mr. Liu shall compensate the Company in cash the difference between (i) the 2021 Compensation Amount; and (ii) the sum of 5th Payment, the Deferred 3rd Payment and the Deferred 4th Payment at the relevant time (the "**Compensated Difference**"). In accordance with the terms of the Acquisition Agreements, (i) the Company shall give written notice to NetPosa and Mr. Liu within 10 Business Days from the issuance of special audit results in relation to the amount of the Compensated Difference payable to the Company; and (ii) NetPosa and Mr. Liu shall settle the Compensated Difference payable to the Company within 10 Business Days from such written notice in accordance with the terms of the Acquisition Agreements.

BUSINESS ANALYSIS BY SEGMENT

Intelligent railway transportation business: Practicability and steadiness

The Group's intelligent railway transportation business mainly involves Passenger Information System (PIS), Automated Fare Collection System (AFC), Automatic Fare Collection Clearing Centre (ACC) and Traffic Control Centre (TCC). The Group continues to expand its main business which focuses on an intelligent railway transportation system. It recorded sales revenue of approximately HK$1,516.2 million in 2021, representing a year-on-year increase of approximately HK$175.6 million or 13.1%. The increase in sales revenue was mainly due to the revenue derived from several key projects such as Shaoxing Urban Rail Transit Line 1 Project, Beijing Rail Transit Line 11 Project and Project of integration and Procurement of Clearing Centre System for Foshan Rail Transit Line Network during this year.

According to relevant market data, in 2021, relevant authorities in 18 cities of mainland China released tenders for on-board PIS systems of urban rail transit, involving a total of 5,810 vehicles. The Group won the bid for 1,894 vehicles, accounting for approximately 32.6% of the total vehicles, maintaining the top position in the industry's comprehensive ranking for six consecutive years and solidifying its leading position in the on-board PIS industry. The synergic effect gradually emerged. In addition, due to the epidemic and intensifying industry competition, the Group found it difficult to expand its AFC business in markets outside Beijing, reflected by the drop in its market share in 2021.

Business in Beijing saw solid development. The Group mainly participated in Beijing Subway Line 11's AFC, PIS and communication and signalling system projects, the engineering project of connection to a cloud-based production business platform for Beijing Subway Lines 3, 12, 17, and 19, AFC operation and maintenance projects for suburban railways, and projects of intelligent safety for trains. While providing services to the capital's rail transport construction, the Group spared all effort to ensure the construction of key projects such as the Winter Olympics branch line project of Beijing Subway to contribute to the successful holding of the Winter Olympics. Given the above, it further solidified its leading position in the capital city. At the same time, by closely following its overall strategy, the Group will participate in the construction of the third-phase platform for the intelligent subway and network in Beijing, with the purpose of becoming a major service provider for the subway intelligentisation and upgrading in Beijing. It spared all efforts to increase its market share in Beijing by enriching its existing product lines, building an intelligent subway product system and growing its core AFC, PIS and TCC businesses.

Business across the country maintained rapid growth. The Group has signed contracts for the general integration project of Shaoxing Metro Line 1 and on-board PIS projects such as Shenzhen Metro Line 16 and Line 12, Shenyang Metro Line 4, Suzhou Metro Line S1, and Wenzhou Metro Line S2 project, the Pearl River Delta intelligent intercity high-speed railway project, and Huangshi and Lishui tram projects. At the same time, the Group has frequently made breakthroughs in market expansion with its key projects in mainland China (outside Beijing). The weak current general integration project of Shaoxing Metro Line 1 is the first project that the Group had undertaken as a master integrator with a contract value of RMB550 million. Meanwhile, the Group secured Shaoxing Metro Line 1 screen door and on-board PIS projects. Following Zhengzhou, Shaoxing has become another key regional hub of the Group's business in mainland China (outside Beijing), achieving remarkable synergic effects from the intensive development. In addition, the Group also won the bid for the multi-level network security protection transformation project of the Urumqi Rail Transit Line 1, which covers three major sub-systems, namely comprehensive monitoring, signalling, and AFC, setting up a benchmark in the field of rail transit network security. Drawing experience from the mature model of "Beijing products + Beijing services", the Group made decisions based on the actual local conditions to better expand the market in the mainland China (outside Beijing).

It made constant efforts in overseas markets. Affected by the continuous impact of the epidemic, the Group still faced obstacles in its overseas business development in 2021. Despite this, its competitive advantages in technology and project management led to an acceleration in the expansion of overseas markets. During the year, the Group won bids for overseas projects such as the Bangalore Metro project in India, Delhi RS1 project in India, a surveillance screen project in Queensland, Australia, a light rail transformation project in Mecca, Saudi Arabia, a train project in the UAE, and a subway project in Lagos.

Scientific and technology R&D achievements emerged. Focusing on integrated innovation, the Group is devoted to providing integrated solutions for products and services in the intelligent railway transportation industry. Relying on advanced technologies such as big data and cloud platforms, the Group has built a standardised big data platform for smart rail transit. Owing to the Group's independent innovation, it has improved its product systems by strengthening, upgrading, and adding intelligent products and systems. Internal and external collaboration has been enhanced to improve the capabilities of transforming and applying scientific research results. In 2021, the Company's self-developed unified rail transit data convergence platform was upgraded to version 2.0 and implemented in the Beijing Metro Line 11's data analysis platform and M Centre project. The intensive scheduling system was also implemented in Beijing Metro Line 11. This application was the first practical attempt of the system in the field of rail transit, received recognition in the industry. A large number of intelligent devices offering intelligent passenger services such as intelligent safety officer cameras, passenger counters and intelligent analysis systems, and prognostic and health management (PHM) edge hosts had been demonstrated in rail transit projects across China. In addition, the Group launched self-developed products including an urban rail cloud encryption platform, intelligent operation management platform, and train transparent window display system. While improving the intelligent product standard system, the Group further enhanced its ability to build an ecosystem of technological innovation.

Infrastructure information business: Upgrading and innovation

The Group's infrastructure information business mainly consists of transmission services for subway civil communications and construction of the underground utility tunnel's intelligent management system, and intelligent plus services, which are mainly situated in Beijing. As for subway civil communications, the Group made a profit by charging fees from provision of its civil communication transmission services to China's three major telecom operators, and by gaining shared revenue from mobile data traffic. Meanwhile, in terms of underground utility tunnel's intelligent management system, the Group derived its revenue from offering system construction, operation and maintenance services. As for the intelligent+ business, the Group earned revenue mainly by providing intelligent control systems and services in a series of application scenarios such as intelligent building sites, intelligent parks, intelligent transit-oriented development (TOD), and intelligent communities.

In 2021, sales revenue derived from the infrastructure information business was approximately HK$233.1 million, representing a year-on-year increase of approximately HK$23.7 million or 11.3%. The revenue increase was mainly attributed to the new business of civil communications transmission via 100 MB 4G ports.

The civil communications business grows steadily. As an important part of the infrastructure information segment, in 2021, the Group refined the operation of its existing civil communications business, to increase the value of civil communications assets. It explored new markets and approached new customers and created new revenue by expanding the business of innovative value-added products and services. As of the end of 2021, the Group's civil communications service has covered 27 metro lines and 237 metro stations in Beijing. In addition, the number of 100 MB 4G resources used by the three major telecom operators has increased by more than 130. Its self-built civil communications transmission systems for Beijing Subway Line 11's western section, Line 17's southern section, and Line 19's Phase I, Capital Airport Express' western extension, and Qinghe Station in Changping Line's southern extension line were put into operation along with the railway lines at the end of 2021. The rebuilding, operation and maintenance of existing railways were carried out in an orderly manner. Meanwhile, the Group also continued to expand its value-added services such as optical fibre transmission, IoT traffic resale, and telecommunications server room leases, contributing to its results during the year.

Utility tunnel and intelligence businesses saw rapid development. The Group made steady progress in the field of utility tunnel by continuously upgrading its intelligent utility tunnel operation and maintenance management platform. This made it possible to perform efficient multi-level integrated utility tunnel management and comprehensively improved intelligent utility tunnel management and operation and maintenance. Actions were continuously taken to push forward with key projects, including Beijing 2022 Winter Olympics, Beijing New Airport Line, and Beijing Subway Line 7's eastern extension. In order to comprehensively improve the intelligent control of the comprehensive hub project of the Beijing Municipal Administrative Center, the Group's self-developed safety control platform system was upgraded to version 2.0. The system was developed with Building Information Model (BIM) lightweight design and Geographic Information Model (GIS). The Group made use of converged communication equipment to complete the positioning of construction personnel and large machinery, and made use of personnel trace backtracking and other technologies, combined with the tracking of supervisors and construction personnel, to carry out hidden automatic elimination and other intelligent operations. Meanwhile, to ensure the building managers who manage the hub building have a timely and accurate understanding of the situation on the site, the hub builder's home project was created. The intelligent building site control platform provided by the Group provides building managers with real-time safety control data to guarantee safe, orderly and efficient control over on-site construction. In addition, the park service management system platform independently developed by the Group has been put into operation in Jingtou Building park. Other intelligent+ products and services such as the intelligent community control platform and the IoT monitoring platform were deployed. The Group's infrastructure information business, representing one of the major application scenarios in smart cities, will have broad market development potential in the future.

Investments in joint ventures and associates: Coordination and upgrading

In 2021, the Group continued to promote the rapid development of its main businesses and accelerate the expansion of new businesses by continuing the development trend of informatisation and intelligentisation and the investment idea of strengthening existing businesses, expanding new intelligent businesses, and investing in new high-tech segments. The Group continued to seek and maintain potential investment projects according to business synergy, company size and other screening conditions, expand backup resources, and conduct regular review and follow-up of key projects. The Group will optimise the strategic investment and industrial investment to enhance its industrial competitive edge and focus on the integrated management of the Group in all dimensions to further strengthen its post-investment management and control. Differentiated management will be implemented and empowered services will be provided to promote business synergy and capital appreciation.

In 2021, the Group strategically invested in Zhilian Youdao, a provider of intelligent solutions for rail transit vocational education. It mainly provides rail transit informatisation education systems and services to secondary and higher vocational colleges. This investment will help the Group enter into the rail transit vocational education market and develop the rail transit after-market to further complement the business segment and coordinated development with its existing business. Meanwhile, the Group continued its investment in the Cornerstone Lianying, which focuses on core industries related to rail transit and fields such as information technology, energy conservation and environmental protection, and new materials. The fund makes equity investments in potential companies with high growth and outstanding core competitiveness to explore the possibility of coordinated business development while obtaining investment returns. In addition, Huaqi Intelligent set up a subsidiary in Changchun to further meet customers' localisation requirements, strengthen business synergy with customers, and look for more cooperation opportunities.

The Group also strengthened the control and coordination of its investment holding companies, adopted differentiated management, optimised and integrated resources, and realised synergic effect.

- Due to the epidemic, the Beijing Subway Capital Airport Express operated by Beijing Metro, a joint venture of the Group, with an annual passenger volume of approximately 4 million in 2021, similar to that of 2020. Meanwhile, Beijing Metro obtained operating rights to new lines such as Hangzhou-Shaoxin Line and Shaoxing Metro Line 1 and promoted the projects of extension of existing lines and additional purchases.

- Metro Science and Technology, a joint venture of the Group, consolidated its main business of AFC operation and maintenance and advanced the application of an intelligent repair platform in the AFC operation and maintenance to improve informatisation level. Therefore, both its revenue and profit in 2021 are relatively stable, and the application of information means will be deepened in the future to improve profitability.

- The registered users of "Yitongxing" APP developed by the Group's joint venture exceeded 30 million. The ratio of passengers using its QR code and other platform business increased to 55% of the total number of passengers passing gates in Beijing's rail transit network. By 2021, projects such as ride-hailing financial payment and digital currency are promoted and implemented. A passenger hotline service centre was established at the metro network level, and QR code interconnection services between Beijing and Shanghai, Tianjin, and Guangzhou subways were made available. In addition, express projects were launched for some Beijing subway stations, alleviating queuing problems at the security check through online review methods and opening a new security check model.

- In addition, the Cornerstone Lianying Fund that the Group invested in is withdrawing from some projects, some of which brought in good returns.

BUSINESS PROSPECTS

Steady Progress in an Industry Context

Looking forward, China's rail transit construction will continue its steady development in 2022. The China Rail Transit Network estimated that a total of 69 rail transit lines (sections) in 26 cities, including Hangzhou, Guangzhou, Fuzhou, Beijing, and Zhengzhou, would commence operation in 2022, with a total mileage of approximately 1,442.81 km and approximately 870 stations. At the same time, by 2025, the national railway operating mileage will reach approximately 170,000 km, of which high-speed railways (including intercity railways) will reach approximately 50,000 km. Railways and high-speed railways will basically cover cities with an urban population of more than 200,000 and 500,000, respectively. Railways will continue to grow steadily. In addition, several documents have clearly outlined proposals to promote the integrated construction of main line railways, intercity railways, and urban (suburban) railways, to coordinate all urban rail transit, and to build "one network" of operation management and services. During the "14th Five-Year Plan" period, 3,000 km of intercity and urban (suburban) railways are planned to be put into operation. The market size will gradually expand.

While the industry develops steadily, and the size of operating lines and amount of investment continue to remain huge, China will also continuously promote the building of smart urban rail. According to the national overall strategic goal plan, by 2025, China will initially build a new generation of intelligent urban rail transit, and become a country with a strong urban rail transit network; and by 2035, China will fully build a new generation of intelligent urban rail transit, becoming one of the powerhouses with a strong urban rail transit network and a trend setter in this respect. China will vigorously develop intelligent rail transit by promoting the in-depth integration of cloud computing, big data, Internet, artificial intelligence and other new technologies with the transportation industry. China will continue to advance the building of an integrated traffic big data centre system to learn about, connect with, and intelligently integrate information related to passengers, facilities, equipment, and the environment in order to strive for high-quality business development through technology.

The Group's revenue mainly derived from the provision of PIS, AFC and other information-based systems used in the construction of new railway lines and urban rail transit lines. The market demand was closely related to the total length of the new metro lines. Moreover, as a growing number of metro lines have been put into operation, the rail transit in many first – and second-tier cities showed a new trend of network-based operation and management. Therefore, new network-level systems, including ACC, TCC and big data centre, should be urgently established for unified scheduling and management in these cities. The new fast-growing demands have brought new business opportunities for the Group.

Continued Optimisation of the Policy Environment

In recent years, China has implemented a series of policies for high-end, precision and sophisticated industries with regard to rail transit, including the Outline of Building China into a Country with Strong Transportation Network, the Outline for Intelligent Urban Rail of China's Urban Rail Transportation, and National Comprehensive Three-dimensional Transportation Network Planning Outline, continuously optimizing the policy environment for intelligent railway transportation. According to proposals for the "14th Five-Year Plan", mainland China will continuously promote the intelligent urban rail construction is the key to China's urban rail transit development. Meanwhile, the National Comprehensive Three-dimensional Transportation Network Planning Outline provides that China will build a modern and high-quality national comprehensive three-dimensional transportation network by strengthening extensive applications of new technologies and will make the transportation network digitised, network-based, intelligent, and eco-friendly.

As the cradle of China's subway development, an important part of China's transportation system and a key area for its technological innovation, Beijing will carry out relevant national policies and new development ideas. According to Beijing's "14th Five Year Plan", China will expedite the building of an integrated rail transit network for coordinated development between rail transit and the city and strengthen subway network service capabilities for the enhancement, encryption, and optimisation of the central city line network. Beijing will build lines such as Lijin Line, CBD Line, the western section of Line 11, and the northern line of Line 19 to improve the intensity of rail transit lines in key areas as well as intelligent subways in Beijing. In addition, the White Paper on the Development of the Capital's Intelligent Subways elaborates on the connotation and characteristics of Beijing's intelligent subways, describes the development background and new era mission of the capital's intelligent subways, develops the goals and design plans of the capital's new subway operation model in the new era, and leads the high-quality development path and phased tasks in the rail transit industry. The White Paper has built the indicator system, application scenarios, and guarantee system for the high-quality development of the capital's intelligent subways.

Accordingly, setting "science and technology plus innovation" as the core strategic target, the Group will strive towards the integrated development of big data, cloud platforms, artificial intelligence and other cutting-edge technologies. It will give priority to the business in the key parts of the rail transit industry to create complete solutions of intelligent rail transit, with forward-looking product planning and research as the starting point, and with collaborative innovation as the purpose.

Focus • Expansion • Collaboration • Innovation

The Group, an enterprise specialising in the field of rail transit, integrating investment and financing, technology R&D, and intelligent rail transportation construction, operation and maintenance, will focus on the strategy of "one body, one platform, and one centre". Driven by technological innovation and management innovation, the Group will accelerate the digital and low-carbon transformation and upgrading, promote scientific and technological empowerment and high-quality development to ensure steady and sustained development.

The Group will make R&D innovation, upgrade its systems, and build a new pattern of coordinated development

In the future, the Group will closely follow the trend of digital and intelligent rail transit development, build a pattern of "one institute, two businesses, multiple groups, and collaborative technology development", promote inter-company collaboration in "R&D + innovation", and enhance technological development capabilities. Meanwhile, the Group will improve its technology on scientific research, grasp the industry's cutting-edge technology direction, and boost independent research and development of core technologies. By building a scientific research operation model based on a combination of "governments, industry, academia, research institute and applications", the Group is committed to providing local owners with a rail transit system solution throughout the lifecycle. To this end, the Group will continue to maintain a high standard of R&D investment in preparation for technological innovation.

With a focus on development and empowered control, it will set up a new specialised platform

The Group will keep focusing on the development of network-level traffic control centres and line-level core systems of intelligent railway transportation. It will improve information systems integration and expand into the rail transit aftermarket such as operation and maintenance services, in order to gradually develop stable integrated technology and product solutions. The proportion of the Group's key self-developed products will be increased to optimise the income structure and further improve its gross margin. Meanwhile, the Group will focus on the businesses in key periods (informatisation and intelligentisation) of rail transit projects, during which it will mainly act as the controlling party and be a participator if needed. Targeted investment and merger and acquisition of outstanding companies will help the Group increase its ability to operate businesses, extend the scope of businesses, and enhance the businesses to a higher level. It will set up an alliance of business ecosystem and team up with quality partners in technologies, products, scenarios, etc.. Furthermore, the Group will adopt empowered and differentiated management and control model to accurately match resources, so as to improve strategic matching and achieve coordinated development.

The Group will seek regional coordination, make breakthroughs in key areas, and explore new markets in China and beyond

As the number of cities where rail transit lines have come into service and the length of rail transit lines are on the rise, the Group will focus on its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets", consolidate the position of Beijing as the stronghold of its businesses, and increase the coverage and market share of its businesses in the city. It will strive to offer "Beijing products" and "Beijing services" to serve the construction of "four rail transit lines" in the capital, with a view to boosting the intelligent development of Beijing's rail transit industry. The Group will strive to speed up the deployment of a nationwide market network, actively build regional hubs, and strengthen development in key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Chengdu-Chongqing region. Taking root in Hong Kong, under the premise of controllable risks and mature models, the Group will actively tap into overseas markets and open up new markets by assisting, undertaking and participating in construction, etc. and adopting the strategy of "going out together".

Continuous efforts will be made on pandemic prevention and control, and various measures will be taken to achieve stable development

In 2022, the Group will maintain high standards of pandemic prevention and control and implement policies under the normalisation of pandemic prevention and control measures. Efforts will be made to overcome the adverse effects of the pandemic, clarify the plan to work on priorities and focus on market expansion. It will build quality projects that "promote transformation, increase functions and have long-term benefits", and expand and strengthen its core primary businesses. With targeted investment, it will actively seek new growth opportunities to ensure stable and sustainable development. Meanwhile, the Group's current asset-liability ratio is relatively reasonable and the cash on book remains sufficient. The pandemic will not affect the Group's sustainability. Overall, the pandemic had limited impact on the Group's operating performance.

In the future, the Group will keep up with industry development trends and remain steadfast in its strategies. The focus will be on its core businesses. The Group will focus on scientific and technological innovation and will create a flagship brand based on "rail+technology".

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$1,749.2 million in FY 2021, representing an increase of approximately HK$199.2 million or 12.9% from FY 2020. Revenue from intelligent railway transportation services and infrastructure information accounted for approximately 86.7% and 13.3% of the total revenue, respectively.

The Group mainly operates its businesses in mainland China and Hong Kong, China. For FY 2021, the Group recorded revenue of approximately HK$1,674.9 million in mainland China, representing an increase of approximately HK$165.7 million as compared to FY 2020. The significant growth in revenue in mainland China was mainly attributed to the implementation and expansion of the Group's projects, such as Shaoxing Urban Rail Transit Line 1 Project, Beijing Rail Transit Line 11 Project and Project of integration and Procurement of Clearing Centre System for Foshan Rail Transit Line Network.

Cost of sales

The Group's cost of sales was approximately HK$1,101.7 million in FY 2021, representing an increase of approximately HK$167.0 million or 17.9% from FY 2020. The increase in cost of sales was mainly due to the increase in the cost in line with the increased revenue.

Gross profit

The Group's gross profit was approximately HK$647.5 million in FY 2021, representing an increase of approximately HK$32.3 million or 5.2% from FY 2020. The increase in gross profit was mainly due to a rise in its business volume.

Investment income

The Group recorded an investment income of approximately HK$56.7 million in FY 2021. Investment income increased as the Group's joint venture Beijing Metro has reached an income risk sharing and benefit sharing mechanism in connection to the operating income rights of Beijing Subway Airport Express and Floor 2-6 of Dongzhimen Terminal with Beijing Dongzhimen Airport Express Rail Co., Ltd, the transferor of such rights, which led to an increase in the net profit of Beijing Metro for FY 2021 and thus the Company has witnessed an increase in the investment income of Beijing Metro.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses were approximately HK$288.0 million in FY 2021, representing an increase of approximately HK$30.1 million or approximately 11.7% from FY 2020. One reason for the increase is that the Group's business grew during FY 2021 resulting in the increase in sale and administrative expenses. Another reason is that expenses for business trips dropped as online and remote working model was adopted due to the pandemic. Besides, the Group was granted exemption from social insurance contributions in the corresponding period of the previous year, but its expenses rebounded due to the resumption of operating activities and payment of social insurance premiums during FY 2021.

Goodwill Impairment

The Group's goodwill impairment for fiscal year 2021 was approximately HK$64.7 million, representing an increase of HK$64.7 million or approximately 100% compared with fiscal year 2020, mainly because the results of Huaqi Intelligent in fiscal year 2021 did not meet expectations.

Huaqi Intelligent is principally engaged in the production and sale of PIS for railway and rail transit. The main customers of Huaqi Intelligent are the vehicle manufacturers of railway and urban rail transit.

Huaqi Intelligent performed well in 2019 and 2020. However, in 2021, there was a slowdown in the market demand for railways in the PRC. In particular, there was a year-on-year decrease of approximately 83% in the total number of tendered vehicles in the railway market in the PRC, and the year-on-year decrease of approximately 30% in the total number of tendered vehicles in the urban rail market in the PRC. Certain major railway manufacturers delayed or cancelled their orders by varying degrees. In addition, due to the impact of the international macroeconomic environment, certain overseas market orders were also affected, especially in the U.S. and India, primarily attributable to the local policies which imposed restrictions on foreign enterprises. Huaqi Intelligent's revenue in 2021 decreased by approximately 15% year-on-year (in RMB). During 2021, Huaqi Intelligent had taken various measures to proactively respond to the impact and risks brought on by the slowdown in market demand and international macroeconomic environment, including actively developing new products, strengthening communication with customers, and actively exploring the domestic urban rail transit market in order to increase the amount of customer's orders and market share of Huaqi Intelligent.

According to Group's experience, the fourth quarter of each year is normally when major railway and urban rail transit manufacturers tend to bid more aggressively. Therefore, the Group had previously expected an improvement of Huaqi Intelligent's performance in the fourth quarter of 2021. However, after the bidding results in the fourth quarter of 2021 were determined at the end of 2021, the Group found out that the impact and risks brought by the slowdown in market demand and international macroeconomic environment were greater than expected at the beginning of 2021, resulting in a decline of Huaqi Intelligent's overall performance in 2021 as compared with that of 2020.

At the end of 2021, upon becoming aware that Huaqi Intelligent's operating results in the near future may be lower than expected and that there is a risk that the goodwill of Huaqi Intelligent will be impaired, the Group engaged a professional independent third party valuer to conduct impairment test on the goodwill of Huaqi Intelligent. Based on the overall macroeconomic conditions, the current business performance of Huaqi Intelligent, the amount of orders of Huaqi Intelligent on hand, the market forecast and other comprehensive factors, the Group decided to have a downward adjustment of the profit forecast of Huaqi Intelligent. The key assumptions in the goodwill valuation are cash flow forecast covering a five-year period, stable growth rate beyond five years and pre-tax discount rate. Compared with the previous five-year forecast, revenue of Huaqi Intelligent is expected to decrease by 13% and gross profit margin will increase slightly due to the adjustment of product structure. Stable growth rate beyond five years was determined as 2% based on Consumer Price index. The pre-tax discount rate has been determined by the Group to be at 12.84% after taking into account of the risk-free interest rate and weighted average cost of capital of comparable companies in the rail transit industry. According to the results of the impairment test, the Group made an impairment provision of approximately HK$64.7 million on the goodwill of Huaqi Intelligent in 2021. For further details, please refer to note 13 to the consolidated financial statements in this annual report.

Profit attributable to equity shareholders of the Group

The profit attributable to equity shareholders of the Group was approximately HK$187.5 million in FY 2021, representing a year-on-year increase of approximately 11.3%. Earnings per share were HK$0.089, representing a year-on-year increase of 11.3%.

Liquidity, financial and capital resources

Capital structure

As at 31 December 2021, the Group's issued share capital consisted of 2,097,146,727 ordinary shares of HK$0.01 each (FY 2020: 2,097,146,727 ordinary shares of HK$0.01 each).

Cash position
As at 31 December 2021, the Group's cash on hand and in bank was approximately HK$893.4 million (FY 2020: approximately HK$983.8 million).

Borrowings and pledged assets of the Group
As at 31 December 2021, the Group's borrowings were approximately HK$348.8 million (FY 2020: approximately HK$571.4 million), of which HK$300 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, Beijing Infrastructure Investment Co., Ltd (北京市基礎設施投資有限公司), and the remaining was bank borrowings amounted to approximately HK$48.8 million.

Working capital and gearing ratio
As at 31 December 2021, the Group had current assets of approximately HK$2,833.7 million (31 December 2020: approximately HK$2,828.9 million), while its current liabilities were approximately HK$1,245.9 million (31 December 2020: approximately HK$1,654.5 million), resulting in net current assets of approximately HK$1,587.8 million (31 December 2020: approximately HK$1,174.4 million). As at 31 December 2021, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.3 (31 December 2020: approximately 1.7).

Gearing ratio is calculated based on total debts at the end of a period divided by total assets at the end of such period multiplied by 100%. As at 31 December 2021, the Group's gearing ratio was 37.2% (31 December 2020: 40.6%).

Foreign exchange exposure
The Group has six main operating subsidiaries, one was incorporated in Hong Kong and the other five were established in mainland China. All of these subsidiaries earn revenue and incur cost in their local currencies. The Directors consider that the impact of foreign exchange exposure on the Group is minimal.

Contingent liabilities
As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

INVESTMENT PROJECTS MADE IN FY 2021
In July 2021, BII Zhuoyue, a subsidiary of the Company, made an investment of RMB25 million to Cornerstone Huiying, representing approximately 9.09% of the interest in the fund. For details, please refer to the announcement published by the Company on 30 July 2021.

In September 2021, BII Zhongfu, a subsidiary of the Company, contributed capital of RMB30 million to Zhilian Youdao, upon which Bll Zhongfu held approximately 7.14% of the equity interest of Zhilian Youdao.

In December 2021, Huaqi Intelligent, a subsidiary of the Company, invested and established a subsidiary with registered capital of RMB5 million.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS
Beijing Metro was established on 15 February 2016, and its equity interest was held by the Company and Beijing Subway Operation as to 49% and 51%, respectively. Its registered capital was RMB500 million of which RMB245.0 million was contributed by the Company and RMB255.0 million was contributed by Beijing Subway Operation which is an independent third party. Beijing Metro is principally engaged in investing, constructing, operating, managing subway lines, operating value-added services and related property development, including managing the Operating Income Rights of Beijing Subway Airport Express, Dongzhimen Terminal and new lines of the Beijing Subway.

Beijing Metro is a non-public company whose quoted market price is not available. As of 31 December 2021, the carrying amounts of Beijing Metro in the Group's consolidated financial statements by using equity method is HK$236,333,000, accounting for approximately 5.35% of the Group's total assets as at 31 December 2021. The Company did not receive any realised and unrealised gain or loss or any dividends from Beijing Metro. In the future, the Group will implement investment strategies based on the actual funding and operation needs of Beijing Metro.

Save as disclosed, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and other plans for material investments or capital assets during FY 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 739 employees (including the Executive Directors) (31 December 2020: 892). The total staff costs, including Directors' remuneration, were approximately HK$348 million (FY 2020: approximately HK$304 million). The total staff costs in 2021 were higher than that of 2020 due to the continuous introduction of high-quality talents, the focus on quality over quantity, and the continuous optimisation of the personnel structure. In addition, due to the impact of the epidemic in FY 2020, there are special circumstances such as social security reductions and exemptions.

The Group reviews remuneration package annually with reference to the prevailing market conditions and staff's working performance, qualification and experience. In addition to basic remuneration, the Group also pays bonus based on its performance and staff's contribution to the Group. Other benefits include share options, contribution to social insurance scheme in China, contribution to the MPF Scheme and insurances in Hong Kong. The Group also organised professional and vocational trainings for its employees.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the Shareholders, the Board recommended the declaration of a final dividend of HK$0.027 per share for FY 2021 (FY 2020: HK$0.025 per share). The proposed final dividend will be payable to shareholders of the Company whose names appear on the register of members of the Company on Monday, 6 June 2022, subject to the approval of the shareholders of the Company at the 2022 AGM. It is expected that the final dividend will be paid on or before Wednesday, 31 August 2022.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

There were no other significant events arising subsequent to FY 2021 as at the date of this annual report.

PERORATION

In 2021, we joined hands to overcome difficulties and steadily improve our performance while achieving increasingly outstanding development quality. I am very grateful to our customers, partners and investors for their support and trust, and to all of our staff who have worked hard in their respective positions. It is your unremitting efforts that have contributed to the steady growth of the Company's performance. Looking forward to 2022, under the backdrop of normalised anti-pandemic prevention and control and with stable recovery and positive prospect of international and domestic economic order, in respect of the Company's operation and development, it will duly perform its own epidemic prevention and control work. Meanwhile, I will devote more time to the improvement of the business quality, stabilisation of the market position, creation of excellent projects and realisation of collaborative innovation. I'm looking forward to better performance.

Xuan Jing
Chief Executive Officer
Hong Kong, 29 March 2022

RISK FACTOR ANALYSIS

The Group is faced with risks, including risks arising from changes in national strategies and macro economy and industrial policies, risks related to its businesses, as well as changes in regulatory rules on listed companies that will have an impact on the Group. Therefore, the Group will be committed to building a more scientific and systematic risk control system to address these risks. On the basis of its increasingly perfect internal control system, it will closely monitor and prevent various risks from risk assessment, financial control, internal audit and legal risk control.

RISKS FROM MACRO ECONOMY

Despite the complicated international environment and the spread of pandemic in China, China's economy has still demostrated a trend of steady development in general during 2021. China's GDP recorded RMB114 trillion, an increase of 8.1% over the previous year. However, there are still challenges and opportunities in its economic environment. On one hand, China's economy is under a pivotal point of the new momentum transformation, which is a critical stage for its economy development. On the other hand, although its labour market continues to recover with increase of average income, the income gap is expanded, growth of consumption is weak and production costs of enterprises continue to increase. According to a report on the analysis and forecast of Chinese macroeconomic situation, it is highly uncertain for the situation of the pandemic in 2022. The global economic recovery is weakened, and the downward pressure on the economy is still increasing. In response to the above risks, the Group will proactively adapt to the new normal in economic development. It will further optimise its business structure, accelerate transformation and upgrading, and actively implement informatisation of carbon neutrality and peak carbon dioxide emission, green and smart railway transportation, and other new businesses encouraged by policies. It will continuously develop businesses with stable cash flows, such as civil communications and railway transportation operation and maintenance, and promote collaborative innovation and development.

RISKS FROM PANDEMIC SPREAD

Since the outrage of the pandemic at the beginning of 2020 for over two years, China has been sticking to its dynamic zero-Covid policy to control the pandemic. However, according to experts, due to complex situation of the pandemic overseas, there are high uncertainties. China's normalised pandemic prevention and control is still under severe circumstance due to the continuous impact brought by the pandemic in 2022. As far as the Company's businesses concerned, limited by local anti-pandemic policies, the procedures for employees to go on business trips and return to Beijing are complicated, which hinders the project progress to some extent. However, in the long run, pandemic prevention and control will be improved with the gradual popularisation of vaccines in the world. Therefore, the Group, which will actively respond to the call of the central and local governments, will gradually arrange the project schedule, take full advantage of technologies, including control informatisation for projects and networked mobile officing, to provide services for customers while ensuring employees' physical health. It will actively fulfil social responsibility, optimise internal process management and step up efforts on the study of cutting-edge technologies, such as intelligentisation and informatisation of railway transportation, in order to reduce the impact of the pandemic as much as possible.

RISKS FROM INDUSTRY FLUCTUATIONS

In recent years, China's macro economy maintained sustained and stable growth, urbanisation sped up and infrastructure planning accelerated, which provided a favourable environment for industry development. However, affected by the national macroeconomic regulation and the international political situation, the development of the rail transit industry has slowed down, and the industry's focus has gradually shifted to improving management efficiency, improving operational reliability, and upgrading service quality. The requirements for this efficiency increase are gradually emerging. The owners are more sensitive to costs and have higher requirements for service quality, which may have a certain impact on the development of the Group. So the Group will strengthen its efforts in examining the industrial policies, development directions and industrial development laws to address the risks. It will continue to enhance the integration of artificial intelligence, 5G, big data, cloud computing and other new-generation state-of-the-art technologies with green intelligence as the core. Based on the implementation of the national strategy of carbon neturality and peak carbon dioxide emission as well as the requirement proposed in the urban railway transportation industry of being green, low carbon and sustainable, we will keep polishing our products and optimising business structure to provide customers with a more reliable, intelligent and low-carbon product and resolution. The Group will learn and replicate the technology and experience from the urban railway transportation industry, continue to expand new business and models, and create a new growing point, and improve the ability to resist risks arising from industry fluctuations.

INTERNAL MANAGEMENT RISKS

With continuous investment and merger and acquisition, the Group is faced with risks from incomplete management systems of its new investees and failure of the systems to function normally or effectively integrate with its own systems to produce synergistic effect. The Group will be more cautious in assessing the trend of industry development, conducting due diligence, setting reasonable valuation range, and practicable integration and control measures before investing in the companies, in a bid to mitigate the above risks. After the investment, the Group will not only take its integration and control measures, but also offer shareholder resources to the investees to improve their core competitiveness. It will adopt digital management model and give full play to the coordination of post-investment management at the group level on the basis of risk control to guarantee the coordinative development of its businesses.

INVESTOR RELATIONS

INVESTOR RELATIONS

Communication with investors

Although the COVID-19 caused that we cannot communicate with investors face to face in the last one year, the Company still maintained close ties with them. We continue to communicate with investors online and by telephone, answering questions about the company's strategic direction, business development, prospects and other concerns at any time.

In 2021, the Group held more than 20 investor groups and one-to-one conferences.

Channels to gain information

The Company ensures that all the investors can have access to the Company's important information equally, accurately and in time through its website. Investors can gain details about corporate governance, information disclosure, stock information, investor liaison, etc. on the Investor Relations section of the Company's website. They can also easily search and obtain annual reports together with other company news. The specific communication methods are detailed in paragraphs, including "Investor Relations and Communication with Shareholders" and "Shareholders' Rights" in the Corporate Governance Report.

Financial summary for 2022

2021 annual results announcement	29 March 2022
2022 AGM	26 May 2022
Closing of register of members (in relation to the 2022 AGM)	23 May 2022 to 26 May 2022 (both days inclusive)
Closing of register of members (in relation to dividend distribution)	2 June 2022 to 6 June 2022 (both days inclusive)
Distribution of final dividend for 2021	HK$56,622,961.63
2022 interim results announcement	August 2022
End of financial year	31 December

Dividend performance

Dividend per Share

Final dividend per ordinary Share for FY 2019	HK$0.02 per Share
Final dividend per ordinary Share for FY 2020	HK$0.025 per Share
Final dividend per ordinary Share for FY 2021	HK$0.027 per Share

Dividend policy

After the Board took comprehensive consideration of strategic planning, business expansion, operation management, dividend payout and other factors, the Group has adopted a dividend policy which it believes is a sustainable, stable and scientific return mechanism for Shareholders since 2021. The mid-to-long-term dividend payout ratio will not be lower than 30% in principle, which will provide Shareholders with tangible returns. The specific dividend allocation will depend on the annual results, cash flows and other factors, subject to the approval of Shareholders at the relevant annual general meeting.

Shareholding as of 31 December 2021

Ordinary Shares

Total number of issued Shares	2,097,146,727

Market value

As of 31 December 2021, HK$943.72 million (closing price as at 31 December 2021: HK$0.45)

Key ratios*

P/E ratio (Market Price per Common Share/Earnings per Common Share)	5.03
P/B ratio (Market Price per Common Share/Net Assets per Common Share)	0.34
Net profit margin (Profit for the year/Revenue × 100%)	11.41%
Return on equity (Profit for the year/Average total equity × 100%)	7.49%
Dividend yield (Dividend per Common Share/Market price per Common Share × 100%)	6.00%

* According to the closing price on December 31,2021

Stock information

Stock code

The Stock Exchange	1522
Reuters	1522.HK
Bloomberg	1522 HK
ISIN	KYG1267V1005

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

XUAN Jing (**宣晶**), Ms. Xuan, aged 48, was appointed as an executive Director on 27 June 2014 and was appointed as Chief Executive Officer on 28 February 2017. Ms. Xuan was appointed as the member of the Environment, Social and Governance (ESG) Committee on 29 November 2021. Ms. Xuan graduated from Tianjin University in the PRC in July 1995 with a bachelor's degree in engineering majoring in engineering management and obtained a master's degree in business administration from Nankai University in March 2001. In November 2003, Ms. Xuan was qualified as an economist approved by Beijing Intermediate Specialised Technique Qualification Assessment Committee (北京市中級專業技術職務評審委員會). From July 1995 to September 1998, Ms. Xuan was the project manager of Changshi International (Tianjin) Group Limited (長實國際(天津)集團公司). From March 2001 to November 2007, Ms. Xuan was the deputy general manager of the finance department of Digital China (China) Ltd. From November 2007 to May 2010, Ms. Xuan served as the secretary to the board of directors and the general manager of the development department of Beijing Jinxin Technology Co., Ltd (北京神州金信科技股份有限公司). From May 2010 to January 2017, Ms. Xuan successively served as the assistant to the manager, deputy manager and general manager of the investment management department of BII, the ultimate holding company of the Company. In July 2015, Ms. Xuan was appointed as the director of BII HK, the controlling shareholder of the Company, and ceased to be the director thereof with effect from May 2017. Ms. Xuan also had been the chairman of the Board of the ERG (BJ). Ms. Xuan now serves as directors of the BII Zhuoyue, Huaqi Intelligent Technology, Beijing Metro (the joint venture of the Group). Beside, due to the Board of Directors of BII Zhongfu was dissolved, Ms. Xuan was appointed as the executive director with effect from 26 April 2021. Ms. Xuan resigned the chairman of the Board of the BII Xinan and the director of the Metro Science and Technology (the Group's joint stock company) with effect from 8 February 2021. She also resigned as the chairman of the Board of Cornerstone Vision with effect from 12 April 2021, the director of Great Legend with effect from 17 May 2021, the director of Beijing City Railway with effect from 18 May 2021, the director of CCRTT Investment with effect from 24 May 2021 and the director of ERG (HK) with effect from 16 July 2021. Ms. Xuan directly holds approximately 0.19% of the issued share capital of the Company as at the date of this annual report.

NON-EXECUTIVE DIRECTORS

ZHANG Yanyou (張燕友), Mr. Zhang, aged 58, was appointed as a non-executive Director on 14 December 2018. Mr. Zhang is also the chairman of the Board and the chairman of the Nomination Committee and was appointed as the chairman of the Environment, Social and Governance Committee on 29 November 2021. Mr. Zhang obtained a bachelor's degree in metallic material and heat treatment from Beijing Union University* (北京聯合大學) in July 1985. He also obtained a postgraduate degree in finance from Capital University of Economics and Business* (首都經濟貿易大學) and a doctor's degree in management science and engineering from Beijing University of Technology* (北京工業大學) in May 2001 and January 2008, respectively. Mr. Zhang obtained the qualifications of professional engineer and senior economist issued by Beijing Municipal Planning Commission Intermediate Specialised Technique Qualification Assessment Committee* (北京市計劃委員會中級專業技術職務評審委員會) and Beijing Senior Specialised Technique Qualification Assessment Committee* (北京市高級專業技術職務評審委員會) in August 1992 and October 1998, respectively. In July 2019, he obtained the qualifications of senior economist issued by Beijing Economic Senior Professional and Technical Qualification Assessment Committee (北京市經濟系列高級專業技術資格評審委員會). Mr. Zhang has been working as the chairman of the board of directors in BII, the ultimate holding company of the Company, since April 2018. Prior to joining BII, Mr. Zhang worked at Beijing Municipal Commission of Development and Reform* (北京市發展和改革委員會) from November 2003 to July 2011 and successively served as a director of industry department and the deputy director. From July 2011 to April 2018, he worked at Beijing Changping District People's Government* (北京市昌平區人民政府) and successively served as the deputy district chief, the acting district chief and the district chief.

CAO Wei (曹瑋), Mr. Cao, aged 58, joined our Group in April 2009. He was appointed as a Director on 7 January 2011 and redesignated as an executive Director on 7 December 2011. He was redesignated from Chief Executive Officer to vice chairman on 28 February 2017 and was redesignated from an executive Director to a non-executive Director on 21 January 2022. After that, he resigned as a non-executive Director and ceased to be the vice chairman on 11 April 2022. He ceased to be a member of the Remuneration Committee on 30 March 2020. Mr. Cao obtained a bachelor's degree in industrial automation from Harbin Institute of Technology in July 1985 and received his certification as senior engineer in 1996. Mr. Cao subsequently obtained an executive master's degree in business administration (EMBA) from Tsinghua University in July 2009. From 1996 to 2001, Mr. Cao was the general manager of Beijing Telecom Network Technology Co., Ltd.. Mr. Cao had been a director and the general manager of Beijing Enterprises Teletron Information Technology Co., Ltd., a company which became a subsidiary of Beijing Enterprises, a company listed on the Main Board of the Stock Exchange, (stock code: 154) in 2001. From 2005 to 2010, Mr. Cao was an executive director and vice president of Beijing Enterprises. Mr. Cao has over 21 years of experience in the management technology and communications industry and has developed strong business relationship and networks in the industry. Mr. Cao also had been a director of Great Legend, Beijing City Railway and ERG (HK) (each a subsidiary of the Company). Mr. Cao currently serves as the director of Innovation Holding Co., Ltd., CCRTT Investment, and the chairman of BII Zhuoyue (each a subsidiary of the Group) and has served as the director of Beijing Metro and Metro Science and Technology (each a joint venture of the Group) since February 2016. Mr. Cao is the sole director of More Legend, a substantial shareholder of the Company, and indirectly holds the shares of the Company through his 100% equity interest in More Legend. More Legend holds as to approximately 11.66% of the issued share capital of the Company. Mr. Cao also directly holds approximately 0.04% of the issued share capital of the Company as at the date of this annual report. Mr. Cao Wei is the father of Mr. Cao Mingda, who was appointed as a non-executive Director with effect from 11 April 2022.

GUAN Jifa (關繼發), Mr. Guan, aged 56, was appointed as a non-executive Director on 28 October 2015 and redesignated as chairman of the Board from 28 February 2017 to 14 December 2018. He is also a member of the Remuneration Committee. He ceased to be the chairman of the Nomination Committee on 14 December 2018. Mr. Guan graduated from Xi'an Institute of Metallurgy and Architecture (西安冶金建築學院) (now known as Xi'an University of Architecture and Technology) with a bachelor's degree in engineering in July 1987. In September 1999, Mr. Guan obtained the engineer qualification certificate and was qualified as a senior engineer approved by Beijing Senior Specialised Technique Qualification Assessment Committee (北京市高級專業技術職務評審委員會). In July 2019, Mr. Guan obtained the qualifications of senior economist issued by Beijing Senior Professional and Technical Qualification Assessment Committee (北京市經濟系列高級專業技術資格評審委員會). He had taken a post-graduate course in the International Business School of the University of International Business and Economics from March 2002 to August 2004. He obtained a doctorate's degree in engineering from Xi'an University of Architecture and Technology in December 2008. From July 1987 to August 1992, Mr. Guan worked at the Heilongjiang Metallurgical Design and Planning Institute (黑龍江冶金設計規劃院) as an Engineer. From June 1994 to April 2005, Mr. Guan worked at Beijing Urban Construction No. 3 Development Co., Ltd (北京城建三建設發展有限公司) as a project manager and subsequently served as a deputy general manager. From April 2005 to January 2008, Mr. Guan acted as the deputy general manager and subsequently the general manager of Beijing Subway Construction Co., Ltd (北京地下鐵道建設公司). Mr. Guan served as the chairman of Beijing Jing Chuang Investment Ltd. (北京京創投資有限公司) from January 2008 to March 2010. From March 2010, Mr. Guan successively served as the general manager of the Land Development Department of BII, the ultimate holding company of the Company, assistant to general manager of BII and now serves as the deputy general manager of BII. He also serves as a non-executive director of Beijing Urban Construction Design & Development Group Co., Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1599) from January 2016 to March 2022. Mr. Guan served as the director of Beijing Metro from February 2016 to February 2017. Mr. Guan was appointed as the chairman of Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技有限公司) with effect from 28 February 2019 and he was appointed as the chairman of Shanghai Oriental Maritime Engineering Technology Co., Ltd. (上海東方海事工程技術有限公司) with effect from December 2020.

ZHENG Yi (鄭毅), Mr. Zheng, aged 47, was appointed as a non-executive Director on 25 August 2017. Mr. Zheng obtained a Master's degree in engineering, specialised in Road and Railway Engineering, at the School of Civil Engineering of Northern Jiaotong University (now known as Beijing Jiaotong University) in May 2000. He was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee* (北京市高級專業技術資格評審委員會) in July 2006 and was subsequently qualified as a professor-grade senior engineer in 2017. Since November 2005, he once took up various positions in BII, the ultimate holding company of the Company, as the senior planner and deputy manager, Head of office of railway routing consolidation department of BII, general manager of preliminary planning department, assistant general manager of BII, and general manager of planning and design department and railway project management department. Mr. Zheng was appointed as a director of the Metro Land Corporation Ltd. (京投發展股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600683), on 28 November 2018.

GU Xiaohui (顧曉慧), Ms. Gu, aged 37, was appointed as a non-executive Director on 5 July 2021 and she resigned as a non-executive Director on 29 March 2022. Ms. Gu obtained a Bachelor's degree in law from the China University of Political science and Law (中國政法大學) in July 2007. She also obtained a Master's degree in economic law from China University of Political science and Law in June 2010. Ms. Gu worked at Beijing Tianyuan Law Firm (北京市天元律師事務所) from July 2010 to March 2015. Ms. Gu has successively served as senior investment manager and general manager assistant of investment development headquarters of BII, the ultimate holding company of the Company from April 2015 to March 2022. Since March 2017, Mr. Gu has taken a position of director of Beijing Cornerstone Fund Management Co., Ltd. (北京基石基金管理有限公司). She was appointed as the director of Shougang Jingtang High-speed Railway Co., Ltd. (首鋼京唐高鐵聯合有限公司) from March 2020 to April 2021. She also has been the non-executive director of Hebei Yichen Industrial Group Co., Ltd. (河北翼辰實業集團股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01596), since March 2020. Ms. Gu has served as the director of Beijing Zhongguancun Rail Transit Industry Development Co., Ltd. (北京中關村軌道交通產業發展有限公司) since May 2020. Ms. Gu has served as general manager of Beijing BII Fund Management Co., Ltd. (北京京投基金管理有限公司) since October 2020. Ms. Gu has been the director of Shanghai Orient Marine Engineering Technology Co., Ltd. (上海東方海事工程技術有限公司) since January 2021. Ms. Gu has been the director of Beijing Zhongguancun Microfinance Co., Ltd. (北京中關村小額貸款股份有限公司) since June 2021.

CAO Mingda (曹明達), Mr. Cao, aged 30, was appointed as a non-executive Director on 11 April 2022. Mr. Cao obtained a Bachelor's degree in commerce (finance) at Curtin University in Australia in January 2014 and a Master's degree in Business Information Systems from School of Information Technology, Monash University in May 2016. Since January 2012, Mr. Cao has served as a supervisor of Beijing Maglihe Liquor Trade Co., Ltd.* (北京瑪格麗河酒業商貿有限公司). From May 2016 to March 2017, Mr. Cao served as the operations manager of Beijing En'an Futong Technology Co., Ltd.* (北京恩安付通科技有限公司). Mr. Cao has been the business manager of Beijing Ruyi Technology Co., Ltd.* (北京如易行科技有限公司) since March 2017, and the director and deputy vice manager of Dalian Yixing Technology Co., Ltd.* (大連易行科技有限公司) since October 2018, and has been the director of Shenyang Metro Technology Co., Ltd.* (瀋陽地鐵科技有限公司) since April 2021. Mr. Cao Mingda is the son of Mr. Cao Wei, who resigned as a non-executive Director and ceased to be vice-chairman of the Board with effect from 11 April 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

BAI Jinrong (白金榮), Mr. Bai, aged 71, was appointed as an independent non-executive Director on 7 December 2011 and he was resigned as an independent non-executive Director on 11 April 2022. Mr. Bai also ceased to be the chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee on 11 April 2022. Mr. Bai graduated from Beijing Normal University in 1985. Mr. Bai has over 31 years of experience in economics, finance and enterprise management. From 1984 to 1992, Mr. Bai served as a deputy director and director of the Policy Research Office of Beijing Chemical Industry Group. From 1992 to 1997, Mr. Bai served as a deputy director of Beijing Economic Structure Reforms Committee (北京市經濟體制改革委員會). From 2003 to 2004, Mr. Bai was the deputy director of Beijing State-owned Assets Supervision and Administration Commission. From 2005 to 2010, Mr. Bai was the vice board chairman and general manager of Beijing Enterprises Group Company Limited. From June 2005 to June 2011, Mr. Bai was the executive director of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 392). From February 2015 to March 2016, Mr. Bai also served as the independent non-executive director of Shi Shi Services Limited (formerly known as Kong Shum Union Property Management (Holding) Limited and Heng Sheng Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8181).

LUO Zhenbang *(CPA)* (羅振邦), Mr. Luo, aged 56, was appointed as an independent non-executive Director on 13 November 2012. He is also the chairman of the Audit Committee and was appointed as the member of the Environment, Social and Governance Committee on 29 November 2021. Mr. Luo graduated from the School of Business of Lanzhou in 1991 majoring in enterprise management. From September 2005 to July 2007, Mr. Luo took a master's degree course in management (technology and innovation) in Tsinghua University jointly organised by The Australian National University and Tsinghua University and obtained a master's degree in management from The Australian National University in July 2007. Mr. Luo has over 21 years' experience in accounting, auditing and financial management and is a Chinese Certified Public Accountant, Certified Tax Agent, Certified Public Valuer and Certified Accountant in securities and futures industry. Mr. Luo has extensive experience in the audit of listed companies in various sectors and provides business consultation services in corporate restructuring and strategic planning for initial public offerings and assets and debts restructuring. Mr. Luo had been the deputy general manager of Zhong Zhou Certified Public Accountants and Baker Tilly China Certified Public Accountants. He was an expert supervisor of China Cinda Asset Management Co., Ltd. and China Great Wall Asset Management Corporation. Mr. Luo had served as an independent director of several listed companies in the PRC, including Long March Vehicle Technology Company Limited (now known as China Aerospace Times Electronics Company Limited) (stock code: 600879) and AVIC Heavy Machinery Company Limited (stock code: 600765), each a company listed on the Shanghai Stock Exchange; Ning Xia Orient Tantalum Industry Company Limited (stock code: 000962), Wuzhong Instrument Company Limited (now known as Ningxia Yinxing Energy Company Limited) (stock code: 000862), Ningxia Zhongyin Cashmere Company Limited (stock code: 000982) and Xinjiang Goldwind Science & Technology Co., Ltd.* ("**Goldwind Science & Technology**") (stock code: 002202), each a company listed on the Shenzhen Stock Exchange. Mr. Luo has also been the independent director of Digital China Information Service Company Ltd. (stock code: 000555), a company listed on the Shenzhen Stock Exchange from September 2011 to December 2019. Mr. Luo had also served as an independent non-executive director of Goldwind Science & Technology (stock code: 2208) from June 2013 to June 2019 and an independent non-executive director of Cowell e Holdings Inc. (stock code: 1415) from January 2021 to July 2021, each a company listed on the Main Board of the Stock Exchange. Mr. Luo has been (i) the independent non-executive director of China Aerospace International Holdings Limited (stock code: 31) since December 2004; (ii) the independent non-executive director of Guorui Properties Limited (stock code: 2329) since July 2013, each a company listed on the Main Board of the Stock Exchange. Mr. Luo had also serve as a member of the internal audit committee of Northeast Securities Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000686) from October 2002 to May 2018. Mr. Luo is the director and managing partner of BDO China Shu Lun Pan Certified Public Accountants LLP.

HUANG Lixin (黃立新), Mr. Huang, aged 50, was appointed as an independent non-executive Director on 9 July 2014. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Huang graduated from the Law School of Renmin University of China with a bachelor's degree in law in July 1993 and obtained a master's degree in law from the University of International Business and Economics in July 1996. Mr. Huang obtained the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in June 2001. Mr. Huang was qualified as a lawyer in the PRC since October 1995 and obtained the practising certificate issued by the Law Society of Hong Kong for the period from January to December 2004. Mr. Huang possesses Extensive experience in the legal practice and had participated in numerous issues of securities, initial public offerings, post-listing financing as well as merger and acquisition projects over the past 21 years as a practising lawyer. Mr. Huang was an intern in the Department of Legal Affairs of the China Securities Regulatory Commission from November 1993 to February 1996. From August 1996 to July 2000, Mr. Huang was a PRC legal consultant at Herbert Smith LLP. From July 2001 to May 2007, Mr. Huang was appointed as a trainee solicitor and later a solicitor at Herbert Smith LLP. Mr. Huang is now a partner of Beijing Haiwen & Partners which he joined in May 2007.

LI Wei (李偉), Mr. Li, aged 64, was appointed as an independent non-executive Director, chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee on 11 April 2022. Mr. Li obtained a bachelor's degree in precision mechanical engineering from Hefei University of Technology (合肥工業大學) in January 1982 and a master's degree in economics from the Beijing Institute of Economics* (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)) in March 1990. In May 1989, Mr. Li obtained his engineer qualification certificate and was approved by the Beijing Senior Professional and Technical Job Evaluation Committee* (北京市高級專業技術職務評審委員會) in December 1994 to qualify as a senior economist. From February 1982 to August 1987, Mr. Li worked as an engineer in the design division of Beijing Instrument Factory* (北京儀器廠設計科). From April 1990 to April 1996, Mr. Li served as the director of the Beijing Municipal Planning Commission Foreign Economics Office* (北京市計劃委員會外經處). Mr. Li also served as the general manager of the investment division of Hong Kong Asia Co., Ltd.* (香港亞聯有限公司) and a part-time lawyer at Beijing Huatong Law Firm* (北京市華通律師事務所) from May 1996 to January 2002. Mr. Li was also a consultant of MTR Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0066), from February 2002 to December 2021, and he was also a part-time consultant of Beijing MTR Corporation Limited (北京京港地鐵有限公司) from February 2006 to December 2021.

SENIOR MANAGEMENT OF THE COMPANY

LIU Yu (劉瑜), Mr. Liu, aged 48, Vice President. Mr. Liu joined the Group in May 2013 and was appointed as vice president of our Group in July 2014. He who takes charge of BII ERG is fully responsible for the operation management of the subsidiary. Mr. Liu now serves as the vice general manager of BII Zhuoyue and the chairman of the Board of BII ERG, and was appointed as the director of ERG (HK) with effect from April 2021. Mr. Liu resigned as the director and vice general manager of BII Zhongfu with effect from February 2021, the general manager of BII ERG with effect from November 2021 and the chairman of the Board of Litmus with effect from December 2021.

Mr. Liu obtained a master's degree in transportation planning and management from Beijing University of Technology and is an accredited engineer. From July 2005 to May 2013, Mr. Liu had served as manager of TCC project department, head of TCC technical workshop, deputy director of technical engineering department, manager of information centre project department and deputy chief engineer of Beijing Metro Network.

WANG Xinjiang (王新江), Mr. Wang, aged 55, Vice President. He joined the Group and was appointed as vice president of our Group in March 2016. He is mainly responsible for the financial management, operation management, business management, informatisation management, etc. Mr. Wang now serves as the director and vice general manager of BII Zhuoyue, and directors of BII ERG, ERG(HK) and ERG(BJ). Mr. Wang resigned the financial officers of BII Zhuoyue and BII Zhongfu with effect from March 2021, the vice general manager of BII Zhongfu with effect from April 2021, and the directors of Beijing City Railway, CCRTT Investment, BII Railway and Great Legend with effect from May 2021.

Mr. Wang was granted with a bachelor's degree of accounting and a master's degree of accounting from Central University of Finance and Economics. Prior to this, he worked as chief financial officer of Veolia Transport-RATP China (威立雅交通巴黎地鐵中國有限公司), and successively served as financial directors of Shengkang Group and KCS Green Energy International (Group) Investments Co., Ltd (中馬綠能(國際)集團有限公司).

LIU Zhongliang (劉忠良), Mr. Liu, aged 48, Vice President. Mr. Liu joined the Group in March 2009 and was appointed as vice president of our Group in September 2012. He is primarily responsible for civil communications, utility tunnel, and research and development and innovation of our Group. Mr. Liu now serves as the vice general manager of BII Zhuoyue and the chairman of the Board and general manager of ERG(BJ), and was appointed as the director of Beijing City Railway with effect from May 2021.

Mr. Liu holds a doctorate degree in management science and engineering from Beijing Jiaotong University. Mr. Liu has more than 15 years of experience in the management technology and communications industry, as well as the metro industry. Prior to joining our Group, Mr. Liu had worked at Anshan Municipal Commission of Development and Reform, and had served as project manager at Motorola (China) Electronics Limited, department manager at Samsung SDS (China) Limited, director of engineering and software development at Telvent Control System (China) Limited (now known as Schneider Electric (China) Company Limited) and China regional deputy general manager at ERG Group (now known as Vix-ERG) respectively.

ZHAO Jingyuan (趙婧媛), Ms. Zhao, aged 42, Vice President. Ms. Zhao joined our Group as vice president in April 2016. She is mainly responsible for human resources, administration affairs, legal affairs and internal control and auditing of the Group. Ms. Zhao resigned the vice general manager of BII Zhongfu with effect from March 2021, the executive deputy general manager of BII ERG with effect from August 2021, the vice general manager of BII Zhuoyue with effect from December 2021, and Ms. Zhao has been the directors of the CCRTT Investment, Great Legend and BII Railway from May 2021 to January 2022. Ms. Zhao resigned as vice president since 29 November 2021.

Ms. Zhao obtained a bachelor's degree of arts and a master's degree of history from Liaoning University. She was awarded with the practicing qualification as senior human resources administrator. Ms. Zhao owns over ten years of experience in human resources management. Prior to joining the Group, Ms. Zhao worked in Beijing Zhongdian Feihua Communication Co., Ltd. (中電飛華通信股份有限公司), a company held by State Grid Information and Communication (國網信通), as manager of the human resources department. She joined BII in 2011 and took the position of senior director of the human resources department of BII, director of the human resources and administration department of BII ERG, assistant to general manager and deputy general manager of the human resources department of BII.

ZHANG Yuekun (張月坤), Mr. Zhang, aged 44, Vice President. Mr. Zhang joined the Group as Vice President in June 2021. He is mainly responsible for the Group's Technical planning and scientific research management and other related work. Mr. Zhang was appointed as the vice general manager of BII Zhuoyue with effect from August 2021, the director of Zhilian Youdao with effect from November 2021, the director of BII ERG and the chairman of the Board of Litmus with effect from December 2021.

Mr. Zhang obtained a master's degree of arts from the University of Reading, a master's degree of science from the University of Warwick and the senior engineer qualification certificate. Mr. Zhang owns over ten years of experience in scientific research and technology management. He joined BII in 2005 and took the position of the project manager, senior supervisor and vice director of TCC technical room of the technical engineering department of Beijing Metro Network, vice director and vice general manager of the technical engineering department of Beijing Metro Network.

XIAO Zheng (肖征), Mr. Xiao, aged 36, Vice President. Mr. Xiao joined the Group as Vice president in March 2020. He is mainly responsible for the Group's equity investment business, non-project new business development, equity financing and post-investment management and other related work. Mr. Xiao now serves as the vice general manager of BII Zhuoyue and the director of Litmus, and has served as the chairman of BII Xinan and the director of Metro Science and Technology since February 2021 and Mr. Xiao was appointed as the director of Huaqi Intelligent Technology with effect from June 2021. Mr. Xiao resigned the director of the Board and the general manager of Cornerstone Vision with effect from April 2021 and he resigned the chairman of the Board of the New Cornerstone with effect from May 2021. Mr. Xiao has also been the director of the BII Zhongfu from February 2021 to April 2021.

Mr. Xiao obtained a bachelor's degree in financial management from the Central University of Finance and Economics. Prior to joining the Group, Mr. Xiao had worked in KPMG as an assistant manager and served as an analyst in the research department of China International Capital Corporation. He joined the Group in 2015 and served as a senior project manager, assistant to general manager, deputy general manager of the capital operation department.

COMPANY SECRETARY

CHEUNG Yuet Fan (張月芬), Ms. Cheung, was appointed as the company secretary of the Company on 29 May 2018. Ms. Cheung is currently a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Cheung is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators"). Ms. Cheung has over 30 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies.

DIRECTORS' REPORT

The Directors are pleased to present their report for FY 2021:

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of material subsidiaries are set out in Note 14 to the consolidated financial statements. None of the subsidiaries of the Company has issued debt securities.

As far as the Company is aware, during FY 2021, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

RESULTS

The Group's profit for FY 2021 and the state of affairs of the Group and of the Company as at that date are set out in the consolidated financial statements on pages 79 to 164. The Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the Shareholders of the Company, the Board recommended the declaration of a final dividend of HK$0.027 per share for FY 2021 (FY 2020: HK$0.025 per share). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Monday, 6 June 2022, subject to the approval of the Shareholders at the 2022 AGM. It is expected that the final dividend will be paid on or before Wednesday, 31 August 2022.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Thursday, 26 May 2022. Shareholders should refer to details regarding the 2022 AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2022 AGM to be held on Thursday, 26 May 2022, the register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2022 (Hong Kong time).

For determining the entitlement to the proposed final dividend (subject to the approval by the Shareholders at the 2022 AGM), the register of members of the Company will be closed from Thursday, 2 June 2022 to Monday, 6 June 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 June 2022 (Hong Kong Time).

BUSINESS REVIEW

The business review of the Company for FY 2021 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report which form part of the directors' report. As the current technology replacement cycle is getting shorter, the Internet is in the ascendant, mobile payment is booming, and open source software is becoming a trend, China's technological development is faster than ever before. As a technology-based company in the field of railway transportation, the Group will also be affected and face the risks of profound reform in technological trends and directions, internetisation of behavior patterns and usage patterns of users and fierce competition for core talents and innovative talents. It also encounters risks such as barriers in foreign markets, intensified competition in the industry, and risks on legal proceedings, credit, liquidity, interest rates and foreign exchange during the business process, details of which are set out in Note 30 to the financial statements.

Discussions on the Group's environmental, social, and governance practices as well as relationships with employees, customers, suppliers and other stakeholders are set out in "2021 ESG Reporting" separately published by the Group.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 29 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group for FY 2021 are set out in Note 29 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

In accordance with the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2021, the Company's reserves available for distribution amounted to approximately HK$1,718.8 million (31 December 2020: HK$1,771.2 million). Such amount includes the Company's share premium.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for FY 2021 are set out in Note 11 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements is set out on page 5 in this annual report. This summary does not form part of the audited financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For FY 2021, the purchases and sales percentage from the major customers and suppliers of the Group are set out below:

		Percentage of total purchases
(1)	Purchases	
	– the largest supplier	10.42%
	– the five largest suppliers combined	33.09%

		Percentage of total sales
(2)	Sales	
	– the largest customer	16.10%
	– the five largest customers combined	35.00%

Save as disclosed under the sections headed "Connected transactions" and "Continuing connected transactions" in this Directors' Report, as far as the Directors are aware, none of the Directors or any of their close associates, or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and suppliers for FY 2021.

DIRECTORS

The Directors in office at the date of 31 December 2021 were:

Executive Directors

Ms. Xuan Jing *(Chief Executive Officer)*
Mr. Cao Wei *(Vice Chairman)*[(Note)]

Non-executive Directors

Mr. Zhang Yanyou *(Chairman)*
Mr. Guan Jifa
Mr. Zheng Yi
Ms. Gu Xiaohui[(Note)]

Independent non-executive Directors

Mr. Bai Jinrong[(Note)]
Mr. Luo Zhenbang *(CPA)*
Mr. Huang Lixin

Note:

1. Mr. Cao Wei was re-designated from an executive Director to a non-executive Director with effect from 21 January 2022; Mr. Cao resigned as a non-executive Director and vice chairman with effect from 11 April 2022.
2. Mr. Ren Yuhang resigned as the non-executive Director with effect from 5 July 2021.
3. Ms. Gu Xiaohui was appointed as a non-executive Director with effect from 5 July 2021 and resigned as a non-executive Director with effect from 29 March 2022.
4. Mr. Cao Mingda succeeded Mr. Cao Wei as a non-executive Director with effect from 11 April 2022.
5. Mr. Bai Jinrong resigned as an independent non-executive Director with effect from 11 April 2022.
6. Mr. Li Wei succeeded Mr. Bai Jinrong as an independent non-executive Director with effect from 11 April 2022.

According to Article 16.18 of the Articles, Mr. Zhang Yanyou, Mr. Guan Jifa and Mr. Huang Lixin will retire as Directors by rotation at the 2022 AGM. According to Article 16.2 of the Articles, Mr. Cao Mingda and Mr. Li Wei (both were appointed on 11 April 2022) shall hold office until the conclusion of the 2022 AGM. All of the retiring Directors, being eligible, will offer themselves for re-election as Directors at the 2022 AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of their independence during FY 2021 in accordance with the requirements set out in Rule 3.13 of the Listing Rules and all independent non-executive Directors are considered to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 27 to 31 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who was proposed for re-election at the 2022 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group for FY 2021 are set out in Notes 8 and 9 to the consolidated financial statements.

MANAGEMENT CONTRACTS

As at 31 December 2021, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, dedication and achievement. The Company has also adopted a share option scheme (the "**Share Option Scheme**") as an incentive to Directors and eligible employees, details of the scheme is set out in the section headed "Share Option Scheme" of this Directors' Report.

RELATIONSHIP WITH EMPLOYEES

Employees are the Group's most valuable assets. The Group actively improves the human resources system and corporate culture construction, protects the rights and interests of employees, pays attention to the reasonable demands of employees, builds a comprehensive salary system, provides high-quality training and career development opportunities, and organises various activities for employees. The Group has established good relationship with its employees throughout the year.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration payable to the senior management of the Company for FY 2021 is within the range of HK$1,000,001 to HK$3,000,000.

SHARE OPTION SCHEME

The Share Option Scheme was approved for adoption pursuant to a written resolution of all of the Shareholders passed on 8 December 2011 for the purpose to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

The Share Option Scheme was revised on 24 September 2013. It would remain in force for a period of 10 years commencing from 16 May 2012 unless terminated by the Company. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately three months.

The share options granted under the Share Option Scheme must be taken up from the date on which the options are granted to such date as the Board may determine and specify in the offer letter. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

Unless otherwise determined by the Directors or stated in the offer of the grant of options to an eligible participant, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price of the options granted under the Share Option Scheme may be determined by the Board at its absolution discretion but in any event should be at least the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

Subject to the terms of the Share Option Scheme, the Board may, at its absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier, service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; and (b) any person who have contributed or may contribute to the Group. During FY 2021, no options were granted.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time.

The total number of shares of the Company to be issued upon exercise of all options granted and to be granted (including both exercised and outstanding options) in any 12-month period to any eligible participant shall not exceed 1% of the total issued shares of the Company unless (i) a circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.

Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

As of 5 December 2019, the share options granted by the Company had all lapsed.

As at 31 December 2021, there were no outstanding share options under the Share Option Scheme.

DIRECTORS' INTEREST IN CONTRACTS

Saved as disclosed under the section headed "Continuing connected transactions" below and disclosed in Note 31 to the consolidated financial statements under the heading "Material related party transactions", (i) no transaction, arrangement, or contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at 31 December 2021 or at any time during FY 2021; (ii) no transaction, arrangement, or contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries; and (iii) no transaction, arrangement, or contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares and underlying shares

Name of Director	The Company/ Name of associated corporation	Capacity	Number of shares	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Cao Wei ("**Mr. Cao**")	The Company	Interest of controlled corporation (Note 1)	244,657,815	11.66%
	The Company	Beneficial owner	800,000	0.04%
				11.70%
Ms. Xuan Jing	The Company	Beneficial owner	4,032,000	0.19%

Note:

1. These shares are held by More Legend, and More Legend is wholly owned by Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 244,657,815 shares of the Company which More Legend owns. Mr. Cao is the sole director of More Legend.

Save as disclosed above, as at 31 December 2021, so far as was known to the Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, so far as was known to the Directors or the chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate percentage of issued share capital of the Company
More Legend	Beneficial owner (Note 1)	244,657,815	11.66%
Ms. Wang Jiangping ("**Ms. Wang**")	Interest of spouse (Note 2)	245,457,815	11.70%
BII HK	Beneficial owner (Note 3)	1,157,634,900	55.20%
BII	Interest of controlled corporation (Note 3)	1,157,634,900	55.20%
China Property and Casualty Reinsurance Company Ltd.* (中國財產再保險有限責任公司)	Beneficial owner (Note 4)	142,789,534	6.81%
China Reinsurance (Group) Corporation* (中國再保險(集團)股份有限公司)	Interest of controlled corporation (Note 4)	167,745,534	8.00%
Central Huijin Investment Ltd.	Interest of controlled corporation (Note 4)	167,745,534	8.00%

Notes:

1. More Legend is the legal and beneficial owner of 244,657,815 shares of the Company and is wholly-owned by Mr. Cao. Mr. Cao is also the sole director of More Legend.

2. Ms. Wang is the spouse of Mr. Cao and by virtue of the SFO, is deemed to be interested in the 245,457,815 shares of the Company which Mr. Cao is interested in.

3. BII HK is a wholly-owned subsidiary of BII, a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. By virtue of the SFO, BII is deemed to be interested in the 1,157,634,900 shares of the Company owned by BII HK.

4. China Property and Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd. which hold 142,789,534 shares and 24,956,000 shares of the Company, respectively, are each a wholly-owned subsidiary of China Reinsurance (Group) Corporation, which is in turn owned as to 71.56% by Central Huijin Investment Ltd. By virtue of the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in the 142,789,534 shares of the Company owned by China Property and Casualty Reinsurance Company Ltd. and 24,956,000 shares of the Company owned by China Life Reinsurance Company Ltd.

* *For identification purposes only*

Save as disclosed above, as at 31 December 2021, the Directors have not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for securities transactions regarding Directors' and employees' dealings in the Company's securities (the "**Securities Dealing Code**") on terms no less exacting than the Model Code.

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the year ended 31 December 2021. No incident of non-compliance with the Securities Dealing Code by the employees was noted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" and in the paragraph headed "Share Option Scheme", at no time during FY 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any conflict of interests with the Group.

CONTINUING CONNECTED TRANSACTIONS

1. Old framework service agreement entered into between the Company and BII

Reference is made to the announcement of the Company dated 2 August 2019 and the circular of the Company dated 30 August 2019. The Company entered into the Old BII Framework Service Agreement ("**Old BII Framework Service Agreement**") with BII on 2 August 2019 for a period commencing from 1 July 2019 and ending on 31 December 2021 (both days inclusive).

As at 2 August 2019, BII held approximately 55.12% of the Shares through its wholly-owned subsidiary, namely BII HK, thus BII is the ultimate holding company of the Company and is therefore a connected person of the Company under the Listing Rules. Thus, the transactions contemplated under the Old BII Framework Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to the Old BII Framework Service Agreement, the Group agrees to provide to BII, its subsidiaries and/or its associates with the consultation and technical support services, information technology support services, technology services, technology development, software development, software procurement, hardware design and development, hardware procurement, system integration, system procurement, operations and maintenance, construction of projects and other types of ancillary services to be agreed by parties in writing from time to time (collectively, the "**Services under the Old BII Framework Service Agreement**") during the term of the Old BII Framework Service Agreement provided that (i) the member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the Old BII Framework Service Agreement.

Pursuant to the Old BII Framework Service Agreement, the Group and BII, its subsidiaries and/or its associates would enter into individual agreements for the provision of the BII Framework Services. Pursuant to the Old BII Framework Service Agreement, the terms (including the service fees) of the individual agreements to be entered into would be negotiated by the parties at arm's length and would be determined by the parties from time to time on normal commercial terms in the ordinary course of business. The price of the transactions contemplated under the Old BII Framework Service Agreement would be determined by government-prescribed price, or government-guided price, or tender process, or the market price, or the agreed price (as the case may be) depending on the methods as set out in the circular of the Company dated 30 August 2019. Further details regarding the Old BII Framework Service Agreement and related continuing connected transactions were set out in the announcement and the circular of the Company dated 2 August 2019 and 30 August 2019, respectively.

As (i) BII has been the ultimate controlling Shareholder of the Company; and (ii) there has been a long-standing business relationship between BII, its subsidiaries and/or its associate and the Group, the Directors consider BII, its subsidiaries and/or its associate are reliable business partners and further business cooperation will be beneficial to and provide a steady income stream to the Group.

For FY 2021, the total transaction amount carried out under the Old BII Framework Service Agreement amounted to approximately RMB243.99 million.

2. **New framework service agreement entered into between the Company and BII**

Reference is made to the announcement of the Company dated 17 December 2021 and the circular of the Company dated 11 February 2022. The Company and BII entered into the New BII Framework Service Agreement ("**New BII Framework Service Agreement**") on 17 December 2021 for a period from 1 January 2022 to 31 December 2024 (both days inclusive).

As at 17 December 2021, BII held approximately 55.20% of the shares of the Company through its wholly-owned subsidiary (i.e. BII HK), and therefore, BII is the ultimate holding company and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New BII Framework Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the New BII Framework Service Agreement, during the term of which, provided that (i) a member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate on an arm's length basis regarding the commercial terms to be set out in the individual agreements for services, the Group agrees to provide BII, its subsidiaries and/or its associates during the term of the New BII Framework Service Agreement with: Consulting and technical support services, IT support services, technical services, technological development, software development, software procurement, hardware design and development, hardware procurement, system integration, system procurement, operation and maintenance, construction of projects and other types of ancillary services agreed by the parties in writing from time to time (collectively referred to as "**Services under the New BII Framework Service Agreement**").

Pursuant to the New BII Framework Service Agreement, the Group would enter into individual agreements for the provision of services with BII, its subsidiaries and/or its associates. Pursuant to the New BII Framework Service Agreement, the terms of the individual agreements to be entered into (including service fees) would be negotiated on an arm's length basis between the parties and would be determined by the parties from time to time in the ordinary course of business on normal commercial terms. The prices of the transactions contemplated under the New BII Framework Service Agreement would be determined by government-prescribed price or government-guided price or tender process, or market price or agreed price (as the case may be), depending on the method set out in the circular of the Company dated 11 February 2022. Details of the New BII Framework Service Agreement and the relevant continuing connected transactions were set out in the announcement of the Company dated 17 December 2021 and 11 February 2022, respectively.

As (i) BII is the ultimate controlling shareholder of the Company; and (ii) BII, its subsidiaries and/or its associates have a long-standing business relationship with the Group, the Directors are of the view that BII, its subsidiaries and/or its associates are reliable business partners and that further business cooperation is beneficial to the Group and provides a stable source of income for the Group.

3. Framework service agreement entered into between the Company and Beijing Information

Reference is made to the announcement of the Company dated 17 December 2021 and the circular of the Company dated 11 February 2022. The Company and Beijing Information entered into the Beijing Information Framework Service Agreement ("**Beijing Information Framework Service Agreement**") on 17 December 2021 for a period from 1 January 2022 to 31 December 2024 (both days inclusive).

Reference is made to the announcement of the Company dated 17 December 2021, as at 19 June 2019, approximately 51.61% of the existing share capital of Beijing Information was owned by Beikong Telecom, which is ultimately and beneficially owned by Mr. Cao, an Executive Director and Vice Chairman of the Company. Accordingly, Beijing Information is an associate of Mr. Cao and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Beijing Information Framework Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Beijing Information Framework Service Agreement, during the term of which, provided that (i) a member of Beijing Information is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate on an arm's length basis regarding the commercial terms to be set out in the individual agreements for services, Beijing Information, its subsidiaries and/or its associates agree to provide the Group during the term of the Beijing Information Framework Service Agreement with: Maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications, and other types of auxiliary services agreed by the parties in writing from time to time (collectively referred to as "**Services under the Beijing Information Framework Service Agreement**").

Pursuant to the Beijing Information Framework Service Agreement, the Group would enter into individual agreements for the provision of services with Beijing Information, its subsidiaries and/or its associates. Pursuant to the Beijing Information Framework Service Agreement, the terms of the individual agreements to be entered into (including service fees) would be negotiated on an arm's length basis among the parties and would be determined by the parties from time to time in the ordinary course of business on normal commercial terms. The prices of the transactions contemplated under the Beijing Information Framework Service Agreement would be determined by government-prescribed price, or government-guided price, or tender process, or the market price, or the agreed price (as the case may be), depending on the method set out in the circular of the Company dated 11 February 2022. Details of the Beijing Information Framework Service Agreement and the relevant continuing connected transactions were set out in the announcement of the Company dated 17 December 2021 and 11 February 2022, respectively.

As Beijing Information, its subsidiaries and/or its associates have a long-standing business relationship with the Group, the Directors are of the view that Beijing Information, its subsidiaries and/or its associates are reliable business partners and that further business cooperation is beneficial to the steady development of the Group.

4. Tenancy agreements in relation to leasing of properties entered into with Beijing Metro network for the year ended 31 December 2021

On 24 December 2020, Beijing Metro Network entered into a tenancy agreement ("**2021 First Metro Network Tenancy Agreement**") with Litmus, whereby Litmus leased certain properties from Beijing Metro Network for a term of one year from 1 January 2021 to 31 December 2021. In addition, on 25 January 2021, Beijing Metro Network entered into a tenancy agreement ("**2021 Second Metro Network Tenancy Agreement**") with Litmus, whereby Litmus leased a property from Beijing Metro Network for a term of 334 days from 1 February 2021 to 31 December 2021.

On 25 January 2021, Beijing Metro Network entered into a tenancy agreement ("**2021 Third Metro Network Tenancy Agreement**") with BII Zhuoyue and BII ERG, respectively, whereby BII Zhuoyue and ERG (BJ) leased certain properties from Beijing Metro Network for a term of 249 days from 25 January 2021 to 30 September 2021. In addition, on 5 November 2021, Beijing Metro Network entered into a tenancy agreement ("**2021 Fourth Metro Network Tenancy Agreement**") with BII Zhuoyue and ERG (BJ), respectively, whereby BII Zhuoyue and ERG (BJ) leased certain properties from Beijing Metro Network for a term of one year from 1 October 2021 to 30 September 2022. BII Zhuoyue, ERG (BJ) and Litmus are collectively named as the "**2021 Tenants**". The "**2021 First Metro Network Tenancy Agreement**", the "**2021 Second Metro Network Tenancy Agreement**", the "**2021 Third Metro Network Tenancy Agreement**" and the "**2021 Fourth Metro Network Tenancy Agreement**" are collectively named as the "**2021 Metro Network Tenancy Agreements**".

The annual cap for the transactions contemplated under the 2021 Metro Network Tenancy Agreements for the year ended 31 December 2021 was RMB6,931,121.60 (equivalent to approximately HK$8,286,599.94), which was calculated with reference to the annual gross rent payable by the 2021 Tenants to Beijing Metro Network pursuant to the 2021 Metro Network Tenancy Agreements. The terms of the 2021 Metro Network Tenancy Agreements (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The Directors are of the view that the transactions contemplated under the 2021 Metro Network Tenancy Agreements represent a rare opportunity for the Group to continue its constant and established operation in Beijing in prime business locations without substantial costs incurred in acquiring properties for office use. Details of the transactions contemplated under the 2021 Metro Network Tenancy Agreements were set out in the announcements of the Company dated 24 December 2020, 25 January 2021 and 5 November 2021.

As at 24 December 2020, BII HK held 1,157,634,900 shares in the Company, accounting for approximately 55.12% of the existing issued share capital of the Company at that time. As at 25 January 2021 and 5 November 2021, BII HK held 1,157,634,900 shares in the Company, accounting for approximately 55.20% of the existing issued share capital of the Company at that time. BII HK is a controlling shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and Beijing Metro Network. Accordingly, Beijing Metro Network is an associate of BII and BII HK and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2021 Metro Network Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules.

The total amount of the transactions under the 2021 Metro Network Tenancy Agreements in the financial year 2021 was RMB6.38 million.

5. Tenancy agreement in relation to leasing of property entered into with BII Technical for the year ended 31 December 2021

Reference is made to the announcement of the Company dated 28 September 2021 that on 28 September 2021, BII Zhuoyue and BII Technical entered into a new tenancy agreement ("**2021 Technical Tenancy Agreement**") as the tenancy agreement entered into between BII Zhuoyue and BII Technical on 21 September 2020 ("**2020 Technical Tenancy Agreement**") expired on 30 September 2021. Accordingly, BII Zhuoyue agreed to continue leasing the property from BII Technical for a term of one year from 1 October 2021 to 30 September 2022. The "**2020 Technical Tenancy Agreement**" and the "**2021 Technical Tenancy Agreement**" are collectively named as the "**Technical Tenancy Agreements**".

The annual cap for the transactions contemplated under the Technical Tenancy Agreements for the year ended 31 December 2021 was RMB237,728.15 (equivalent to approximately HK$275,204.53), which was the annual rent payable by BII Zhuoyue to BII Technical. The Directors are of the opinion that the 2021 Technical Tenancy Agreement is beneficial for the Group to continue strengthening the cooperation with BII Technical and is entered into in the ordinary and usual course of business of the Group. The 2021 Technical Tenancy Agreement (together with the rental payment) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the 2021 Technical Tenancy Agreement (together with the rental payment) are fair and reasonable and in the interests of the Company and its shareholders as a whole. Details of the 2021 Technical Tenancy Agreement were set out in the announcement of the Company dated 28 September 2021.

As at 28 September 2021, BII HK held 1,157,634,900 shares in the Company, accounting for approximately 55.20% of the existing issued share capital of the Company. BII HK is a controlling shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and BII Technical. Accordingly, BII Technical is an associate of BII and BII HK and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Technical Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules.

The total amount of the transactions under the Technical Tenancy Agreements in the financial year 2021 was approximately RMB191,000.

6. Tenancy agreements in relation to leasing of properties entered into with Beijing Metro Network for the year ending 31 December 2022

On 5 November 2021, Beijing Metro Network entered into the 2021 Fourth Metro Network Tenancy Agreement with BII Zhuoyue and ERG (BJ), respectively, whereby BII Zhuoyue and ERG (BJ) agreed to lease certain properties from Beijing Metro Network for a term of one year from 1 October 2021 to 30 September 2022.

On 28 December 2021, Beijing Metro Network entered into a tenancy agreement ("**2022 First Metro Network Tenancy Agreement**") with Litmus, whereby Litmus agreed to lease the property from Beijing Metro Network for a term of one year from 1 January 2022 to 31 December 2022.

The annual cap for the transactions contemplated under the 2021 Fourth Metro Network Tenancy Agreement and the 2022 First Metro Network Tenancy Agreement for the year ending 31 December 2022 is RMB5,758,207.65 (equivalent to approximately HK$7,025,013.34), which is calculated with reference to the annual gross rent payable by the Tenants to Beijing Metro Network pursuant to the tenancy agreement and based on the number of days for leasing in 2022.

7. Tenancy agreement in relation to leasing of properties entered into with BII Technical for the year ending 31 December 2022

On 28 September 2021, BII Technical and BII Zhuoyue entered into 2021 Technical Tenancy Agreement, whereby BII Zhuoyue agreed to lease certain properties from BII Technical for a term of one year from 1 October 2021 to 30 September 2022.

The annual cap for the transactions contemplated under the 2021 Technical Tenancy Agreement for the year ending 31 December 2022 is RMB177,807.63 (equivalent to approximately HK$215,147.23), which is calculated with reference to the annual gross rent payable by the Tenant to BII Technical pursuant to the tenancy agreement.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740, *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*, issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter with emphasized matters paragraph containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with the Listing Rules 14A.56. The emphasized matters paragraph states that during the six-month period ended December 31, 2019, 2020 and 2021, the transaction amount between the Group and Beijing Information was RMB18.7 million, RMB35.7 million and RMB35.5 million, respectively. These continuing connected transactions was not approved by the Company's board of directors before entering into such transactions, and no annual cap was set for such transactions. The Company's board of directors subsequently approved these transactions on 29 March 2022. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have confirmed that the continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions set out above.

Details of material related party transactions entered into by the Group are set out in Note 31 to the consolidated financial statements. Except for those described under the paragraphs headed "Continuing connected transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save for the events described under the paragraphs headed "Significant investments held and future plans" and "Final dividend" in this annual report, there is no other material events after the reporting period as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during FY 2021 and until the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

DONATIONS

During FY 2021, the donation of the Group was approximately HK$1,287,100 (FY 2020: HK$1,198,600).

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed on pages 38 to 39 of this annual report, no equity-linked agreements were entered into by the Company, or existed during FY 2021.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group recognises its responsibility to protect the environment when conducting its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. Details of the Group's environmental, social, and governance practices are set out in the "2021 ESG Reporting" separately published by the Group.

CHANGES IN DIRECTORS' INFORMATION

Changes in directors' information which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules are set out below:

1. Ms. Xuan Jing, executive Director, was appointed as the executive director of BII Zhongfu with effect from 26 April 2021. Ms. Xuan resigned as the chairman of the Board of the BII Xinan and the director of the Metro Science and Technology (the Group's joint stock company) with effect from 8 February 2021. She also resigned as the chairman of the Board of Cornerstone Vision with effect from 12 April 2021, the director of Great Legend with effect from 17 May 2021, the director of Beijing City Railway with effect from 18 May 2021, the director of CCRTT Investment with effect from 24 May 2021 and the director of ERG (HK) with effect from 16 July 2021. She was appointed as the member of the ESG Committee on 29 November 2021.

2. Mr. Cao Wei, executive Director, re-designated from an executive Director to a non-executive Director with effect from 21 January 2022. And he resigned as the non-executive Director and vice president with effect from 11 April 2022.

3. Mr. Zhang Yanyou, non-executive Director, was appointed as the chairman of the ESG Committee with effect from 29 November 2021.

4. Mr. Guan Jifa, non-executive Director, resigned as a non-executive director of Beijing Urban Construction Design & Development Group Co., Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1599), with effect from 11 March 2022.

5. Mr. Ren Yuhang, non-executive Director, resigned as a non-executive Director with effect from 5 July 2021.

6. Ms. Gu Xiaohui, non-executive Director, was appointed as a non-executive Director with effect from 5 July 2021 and resigned as a non-executive Director with effect from 29 March 2022. Ms. Gu was appointed as the director of Shanghai Orient Marine Engineering Technology Co., Ltd. with effect from January 2021. She resigned as the director of Shougang Jiangtang High-speed Railway Co., Ltd. with effect from April 2021 and she was appointed as the director of Beijing Zhongguancun Microfinance Co., Ltd. with effect from June 2021. She resigned as senior investment manager and general manager assistant of investment development headquarters of BII with effect from March 2022.

7. Mr. Cao Mingda, non-executive Director, was appointed as a non-executive Director with effect from 11 April 2022.

8. Mr. Bai Jinrong, independent non-executive Director, resigned as an independent non-executive Director with effect from 11 April 2022. At that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

9. Mr. Luo Zhenbang, independent non-executive Director, was appointed as a member of the ESG Committee with effect from 29 November 2021. He resigned as an independent non-executive director of Cowell e Holdings Inc. (stock code: 1415), a company listed on the Main Board of the Stock Exchange, with effect from July 2021.

10. Mr. Li Wei, independent non-executive Director, was appointed as an independent non-executive Director with effect from 11 April 2022. At that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

AUDITORS

The consolidated financial statements for FY 2021 were audited by KPMG and they have issued an unqualified opinion. KPMG shall retire and, being eligible, offer themselves for re-appointment at the 2022 AGM. A resolution to re-appoint KPMG as auditors of the Company and to authorise the Directors to fix the auditors' remuneration will be proposed at the 2022 AGM.

By Order of the Board
BII Railway Transportation Technology Holdings Company Limited
Xuan Jing
Executive Director
Chief Executive Officer

Hong Kong, 29 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report for FY 2021.

CORPORATE GOVERNANCE PRACTICES

The Board believes that maintaining high standard of corporate governance practices is crucial to safeguarding shareholders' and stakeholders' interests, formulating business strategies and policies as well as enhancing corporate value, transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**CG Code**"). Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices and has devised its own code of corporate governance based on the major principles and practices as set out in the CG Code. For FY 2021, the Company was in compliance with all the CG Code.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

On 31 December 2021, the Board had nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. Details of the Board composition are set out below:

Executive Directors

Ms. Xuan Jing	(Chief Executive Officer and member of the ESG Committee)
Mr. Cao Wei*(Note)*	(Vice Chairman)

Non-executive Directors

Mr. Zhang Yanyou	(Chairman, chairman of the Nomination Committee and chairman of the ESG Committee)
Mr. Guan Jifa	(Member of the Remuneration Committee)
Mr. Zheng Yi	
Ms. Gu Xiaohui*(Note)*	

Independent non-executive Directors

Mr. Bai Jinrong*(Note)*	(Chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)
Mr. Luo Zhenbang	(Chairman of the Audit Committee and the member of the ESG Committee)
Mr. Huang Lixin	(Members of the Audit Committee, the Remuneration Committee and the Nomination Committee)

Note:

1. Mr. Cao Wei, executive Director, re-designated from an executive Director to a non-executive Director with effect from 21 January 2022. And he resigned as the non-executive Director and Vice Chairman with effect from 11 April 2022.

2. Mr. Ren Yuhang, non-executive Director, resigned as a non-executive Director with effect from 5 July 2021.

3. Ms. Gu Xiaohui, non-executive Director, was appointed as a non-executive Director with effect from 5 July 2021 and resigned as a non-executive Director with effect from 29 March 2022.

4. Mr. Cao Mingda, non-executive Director, was appointed as a non-executive Director with effect from 11 April 2022.

5. Mr. Bai Jinrong, independent non-executive Director, resigned as an independent non-executive Director with effect from 11 April 2022. At that day, he also resigned as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

6. Mr. Li Wei, independent non-executive Director, was appointed as an independent non-executive Director with effect from 11 April 2022. At that day, he was also appointed as the chairman of the remuneration committee and members of the audit committee and the nomination committee.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and senior management" on pages 27 to 31 of this annual report. None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are segregated and held by Mr. Zhang Yanyou and Ms. Xuan Jing, respectively, to ensure their respective independence, accountability and responsibility. The Chairman provides leadership and is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally. There is a clear division of responsibilities between the Chairman and Chief Executive Officer which provides a balance of power and authority.

Independent non-executive Directors

The Board consists of at least three independent non-executive Directors representing one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during FY 2021.

The Company has received written annual confirmation from each independent non-executive Director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which can be terminated by either party by giving to the other not less than one month's prior written notice. Each of the non-executive Directors (including independent non-executive Directors) has entered into a letter of appointment with the Company for a fixed term of three years which can be terminated by the Company by not less than three months' prior written notice.

According to Article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

According to Article 16.3 of the Articles, the Company may from time to time increase or reduce the number of Directors in general meeting by ordinary resolution but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Companies Act Cap. 22 of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election thereat.

According to Article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or 16.3 of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board has overall responsibility for the leadership and control of the Group, including the responsibilities for the formulation of long-term strategies, and appointing and supervising senior management to ensure that the operation of the Company is conducted in accordance with the objective of the Group; and is collectively responsible for directing and supervising the Group's affairs.

The Board directly, and indirectly through its committees, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

BOARD MEETINGS

The Board meets regularly (at least four times a year) to discuss and approve the overall strategies and policies, monitor the financial and operational performance, review corporate governance practices, consider and approve the financial results as well as other significant matters of the Group. Additional meetings are convened as and when the Board considers necessary. In case where conflict of interest arises involving a substantial shareholder or a Director, such matter will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will deal with such issues involving conflict of interest.

A tentative schedule for regular Board meetings for each year is provided to Directors at the beginning of each calendar year. Notice of at least 14 days will be given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within 7 days and at least 3 days before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

All Directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Four regular Board meetings and five extraordinary Board meetings were held during FY 2021. The attendance record of each Director at the Board meetings is set out below:

	Meetings attended/Number of meetings	
Name of Directors	**Regular Board meeting**	**Extraordinary Board meeting**
Executive Directors		
Ms. Xuan Jing *(Chief Executive Officer)*	4/4	5/5
Mr. Cao Wei *(Vice Chairman)*	4/4	5/5
Non-executive Directors		
Mr. Zhang Yanyou *(Chairman)*	4/4	5/5
Mr. Guan Jifa	4/4	5/5
Mr. Zheng Yi	4/4	5/5
Mr. Ren Yuhang *(Note)*	1/1	3/3
Ms. Gu Xiaohui *(Note)*	3/3	2/2
Independent Non-executive Directors		
Mr. Bai Jinrong	4/4	5/5
Mr. Luo Zhenbang *(CPA)*	4/4	5/5
Mr. Huang Lixin	4/4	5/5

Note:

1. Mr. Ren Yuhang has resigned as a non-executive Director with effect from 5 July 2021 in order to devote more time on his other commitments.

2. Mr. Gu Xiaohui was appointed as a non-executive Director with effect from 5 July 2021 and resigned as a non-executive Director on 29 March 2022.

Apart from regular Board meetings and extraordinary Board meetings, the Chairman of the Board also held meeting with independent non-executive Directors without the presence of other Directors during FY 2021.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the aforesaid committees have been posted on the Company's website and the website of the Stock Exchange and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Board Composition" in this Corporate Governance Report.

Audit Committee

The Company established the Audit Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. On 30 December 2015, the Board adopted the revised written terms of reference which became effective on 1 January 2016. On 25 December 2018, the Board adopted the further revised written terms of reference which became effective on the same date. The written terms of reference of the Audit Committee were adopted in compliance with code provisions C.3.3 and C.3.7 (which have been re-numbered as code provisions D3.3 and D3.7 since 1 January 2022) of the CG Code.

The primary duties of the Audit Committee, among other things, are (i) to make recommendations to the Board on the scope of audit and appointment, re-appointment and removal of external auditor; (ii) review the financial statements and material advice in respect of financial reporting; (iii) oversee internal control and risk management systems of the Company; and (iv) review the effectiveness of the internal audit function and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held four meetings during FY 2021 to, among others, review the interim and annual financial results and reports of the Group and significant issues on financial reporting, operational and compliance controls. The Audit Committee also reviewed the effectiveness of the Group's risk management and internal control systems, internal audit function and compliance procedures, and considered matters regarding appointment of external auditors, relevant scope of works and connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without presence of the executive Directors.

The attendance record of each member at the Audit Committee meetings is set out below:

	Meetings attended/ Number of meetings
Mr. Luo Zhenbang *(CPA)* *(chairman of the Audit Committee)*	4/4
Mr. Bai Jinrong	4/4
Mr. Huang Lixin	4/4

Remuneration Committee

The Company established the Remuneration Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules. On 25 December 2018, the Board adopted the revised written terms of reference which became effective on the same date. The written terms of reference of the Remuneration Committee was adopted in compliance with code provision B.1.2 (which has been re-numbered as code provision E.1.2 since 1 January 2022) of the CG Code.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration packages of executive Directors, non-executive Directors and senior management and overall remuneration policy and structure relating to all Directors and senior management of the Group, and establish transparent procedures for developing such remuneration policy and structure and to ensure that none of the Directors or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held three meetings during FY 2021 to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management. Details of the remuneration of senior management are set out in Note 9 to the consolidated financial statements in this annual report.

The attendance record of each member at the Remuneration Committee meeting is set out below:

	Meetings attended/ Number of meetings
Mr. Bai Jinrong *(chairman of the Remuneration Committee)*	3/3
Mr. Guan Jifa	3/3
Mr. Huang Lixin	3/3

Nomination Committee

The Company established the Nomination Committee on 8 December 2011 with written terms of reference in compliance with code provisions A.5.1 and A.5.2 (which have been re-numbered as code provision B.3.1 since 1 January 2022) of the CG Code. On 25 December 2018, the Board adopted the revised written terms of reference which became effective on the same date. The Nomination Committee adopted a board diversity policy on 30 August 2013 to achieve diversity on the Board which was subsequently revised on 25 December 2018.

The primary duties of the Nomination Committee are to review the structure, size, diversity and composition of the Board on a regular basis; develop and formulate relevant procedures for the nomination and appointment of Directors; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The director nomination policy as adopted by the Board sets out the procedure and criteria in the nomination and appointment of Directors.

The Nomination Committee held two meetings during FY 2021 to discuss and review the structure, size and composition of the Board and the independence of the independent non-executive Directors as well as matters regarding appointment and retirement and re-election of Directors at annual general meeting.

The attendance record of each member at the Nomination Committee meeting is set out below:

	Meetings attended/ Number of meetings
Mr. Zhang Yanyou *(chairman of the Nomination Committee)*	2/2
Mr. Bai Jinrong	2/2
Mr. Huang Lixin	2/2

ESG Committee

The company established the ESG Committee on 29 November 2021 with written terms of reference. The ESG Committee consists of three members, including an executive director, a non-executive director, and an independent non-executive director. The committee has a chairman.

The terms of reference of the ESG Committee are to review, approve and report to the board of directors the company's ESG principles, objectives, standards and matters, and to supervise, review and evaluate their effective implementation in the formulation of strategies, systems and business practices. The ESG Committee is also responsible for reviewing and recommending the ESG reports to the board of directors, etc.

As the ESG Committee was established at the end of 2021, the ESG Committee has not held a meeting during FY 2021.

The attendance record of each member at the ESG Committee meeting is set out below:

	Meeting attended/ Number of meeting
Mr. Zhang Yanyou *(chairman of the ESG Committee)*	NA
Ms. Xuan Jing	NA
Mr. Luo Zhenbang	NA

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy on 30 August 2013 to achieve diversity on the Board which was subsequently revised on 6 December 2013 and 25 December 2018 ("**Board Diversity Policy**") and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to maintaining diversity at all levels and will consider the measurable objectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth and is also committed to ensuring that selection and nomination of Board positions are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has achieved the measurable objectives in implementing the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate and on a regular basis, to ensure its continued effectiveness.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board.

The Company has adopted a director nomination policy ("**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity aspects under the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings and the recommendations to be made by the Nomination Committee and the Board in these respects.

The Nomination Committee will conduct regular review on the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 (which has been re-numbered as code provision A.2.1 since 1 January 2022) of the CG Code.

The Board determines the Company's corporate governance policies and performs corporate governance duties set out in the CG Code. Its corporate governance duties include, among others, (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal or regulatory requirements; and (iv) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised the Securities Dealing Code on terms no less exacting than the required standard of dealings set out in the Model Code. The Company customarily issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standards set out in the Securities Dealing Code and the Model Code throughout FY 2021. The Securities Dealing Code also applies to employees to whom the Securities Dealing Code was given. The Company was not aware of any non-compliance of the Model Code for FY 2021.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and officers that may arise out of the corporate activities. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Induction materials and relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to directors, duty of disclosure of interests and business in the Group will be provided to newly appointed Directors shortly upon their appointment as Directors to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Continuing briefings and professional development to Directors will be arranged when necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During FY 2021, the Company organised two training sessions for all the Directors on the Listing Rules and the relevant guidances. All Directors attended the trainings.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness in order to safeguard the interests of the Shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

The Group has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

The Group's risk management and internal control systems have been developed with the following principles, features and processes:

In compliance with the requirement of CG Code, the Group has established relevant risk management and internal control systems, covering corporate governance and system, business and financial processes. The systems served as a reasonable guarantee of the legal compliance of the operation and management of the Group, its asset security and truthfulness and completeness of its financial reports and relevant information and increased the operational efficiency and performance of the Group, which provided strong guarantee for the implementation of the Group's development strategies.

In order to further regulate the internal control management of the Company and effectively prevent internal risks, the "Internal Control Handbook of BII Railway Transportation Technology Holdings Company Limited" was prepared according to the "Guidelines for Corporate Internal Control", which was jointly issued by five ministries and commissions including the Ministry of Finance as well as the relevant regulatory requirements of the Stock Exchange and the actual management situation of the Company. The internal control system of the Company regulates the internal management procedure of the Company by an information controlling aspect, namely information system, and fourteen business controlling aspects, namely organisational structure, fund management, financial reporting, procuring business, outsourcing business, sales business, research and development management, project management, contract management, human resources, budget management, financing management, equity investment management and fixed assets management. It identifies the risks in the internal management of the Company and provides relevant control measures to prevent the risks. The Company performs annual reviews on these systems in order to monitor its operational situation in a timely manner, and revises or abolishes some regulations in accordance with relevant national laws and regulations and actual conditions of the Company.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to ensure that control policies are properly complied with by each department.

The Company has set up departments dedicated to daily examination and supervision of internal control, and designated internal control examination and supervision personnel according to the relevant requirements and conditions of the Company to inspect and monitor the regular test on internal control procedures of all functional departments of the Company and all subsidiaries. The Company mainly reviews the compliance of internal control procedures that have higher risk, such as setting up of project, tendering, project budget review and procurement to ensure the compliance of business activities.

The Company makes improvement recommendations in respect of audit's findings and requests the relevant management of the Company to confirm the rectification plan, methods and the timing. The Company regularly follows up the status of the implementation of the improvement plans to ensure the execution of such improvement plans. At the same time, the Company reviews and assesses the truthfulness, accuracy, compliance and effectiveness of the project financial activities of the Company and information of financial expenses as well as the Company's funds, management and usage of assets, and strictly monitors the annual budget and expenditure.

The management of the Company provides enough resources for the accounting, internal review and financial reporting functions, hires financial personnel with sufficient qualifications and provides various financial control and project risk control training to the staff. The management, in coordination with all department heads, assesses the likelihood of risk occurrence and provides response plans, and monitors the risk management procedures, and reports to the Audit Committee and the Board on all findings and the effectiveness of the system. Internal legal and audit department is responsible for reviewing the adequacy and effectiveness of risk management and internal control system independently, investigates key matters related to accounting practice and all significant control issues, and reports its finding and suggestions for improvement to the Audit Committee.

On the basis of its established internal control system, the Company regularly reviewed and sorted out the overall operation of the internal control system in accordance with the Basic Standard for Enterprise Internal Control and supporting guidelines, its Internal Control Management Handbook and relevant rules, and compiled the Internal Control System Evaluation Report. The Company identified and sorted out risks and deficiencies during the operation of the internal control system in a timely manner through ways such as individual interviews, system reviews, data inspections, and walk-through tests and put forward corresponding rectification suggestions. It formulated the Internal Control System Evaluation Results and Rectification Plan, and followed up and supervised related divisions' rectifications.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for FY 2021.

The Board, as supported by the Audit Committee and with the management report and the internal audit findings, reviewed the risk management and internal control systems including the financial, operational and compliance controls for FY 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources of the Group.

Whistleblowing procedures are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

The Group has developed its disclosure policy which provides a general guide to the Directors, the Group's officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for FY 2021 and ensure that the financial statements are prepared in accordance with applicable statutory requirements and financial reporting standards. Appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 69 to 78 of this annual report.

AUDITORS' REMUNERATION

The fees paid and payable to the Company's external auditors in respect of their audit and non-audit services provided to the Company for FY 2021 were as follows:

	Amount HK$'000
Type of services	
Statutory audit services	3,376
Non-statutory audit services	1,146
	4,522

COMPANY SECRETARY

Ms. Cheung Yuet Fan has been appointed as the Company's company secretary since 29 May 2018. Ms. Cheung is a director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Ju Song, assistant president of the Group, has been designated as the primary contact person at the Company who would work and communicate with Ms. Cheung on the Company's corporate governance and secretarial and administrative matters.

For FY 2021, Ms. Cheung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communications with the Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations and investor understanding of the Group's business performance and strategies. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its corporate publications including interim and annual reports as well as other announcements and circulars. The Company maintains its website (www.biitt.cn) to provide a communication channel for the public and its shareholders. All corporate communication and the Company's latest updates are available on the Company's website for public information.

The annual general meeting ("**AGM**") or extraordinary general meeting ("**EGM**") of the Company provide opportunities for direct communication between the Shareholders and the Board and the Directors are available to meet the Shareholders and answer their questions. During FY 2021, an AGM and an EGM were held.

The attendance records of each Director at the AGM and the EGM are set out below:

	Meetings attended/Number of meetings	
Name of Directors	**AGM**	**EGM**
Executive Directors		
Ms. Xuan Jing *(Chief Executive Officer)*	1/1	1/1
Mr. Cao Wei *(Vice Chairman)*	1/1	1/1
Non-executive Directors		
Mr. Zhang Yanyou *(Chairman)*	1/1	1/1
Mr. Guan Jifa	1/1	1/1
Mr. Zheng Yi	1/1	1/1
Mr. Ren Yuhang[(Note)]	1/1	NA
Ms. Gu Xiaohui[(Note)]	NA	1/1
Independent Non-executive Directors		
Mr. Bai Jinrong	1/1	1/1
Mr. Luo Zhenbang *(CPA)*	1/1	1/1
Mr. Huang Lixin	1/1	1/1

Note:

1. Mr. Ren Yuhang has resigned as a non-executive Director with effect from 5 July 2021 in order to devote more time on his other commitments.

2. Ms. Gu Xiaohui was appointed as a non-executive Director with effect from 5 July 2021 and resigned as a non-executive Director on 29 March 2022.

During the year under review, the Company has not made any changes to its Articles. The latest version of the Articles is available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The Company engages with Shareholders through various communication channels.

Procedures for Shareholders to Convene an EGM

According to Article 12.3 of the Articles, EGM of the Company may be convened on the written requisition of any two or more members of the Company or any one member of the Company where the member is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to them by the Company.

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

There are no provisions in the Articles or the Companies Act of the Cayman Islands for putting forward proposals of new resolutions by the shareholders at general meetings. Shareholders who wish to move a resolution may request the Company to convene an EGM in accordance with the procedures set out in the preceding paragraph to consider the business specified in the requisition. For proposing a person for election as a Director, please refer to the "Procedures for shareholders to propose a person for election as a director of the Company" posted on the Company's website.

Procedures for Shareholders to Direct Enquiries to the Board

For putting enquiries to the Board, the Shareholders can contact the Company as follows:

Address:	Unit 4407, 44th Floor, COSCO Tower 183 Queen's Road Central Sheung Wan Hong Kong
Email:	IR@biitt.cn
Tel (HK):	(852) 2805 2588
Tel (Beijing):	(86) 010 843 85803
Fax:	(852) 2805 2488
Attention:	The Board of Directors c/o the Board of Directors' office

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders shall contact the Company's Hong Kong branch share registrar and transfer office as follows:

Address:	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses, where appropriate, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 2805 2588 for any assistance.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a dividend policy ("**Dividend Policy**") on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. After the Board took comprehensive consideration of strategic planning, business expansion, operation management, dividend payout and other factors, the Group has established a sustainable, stable and scientific return mechanism for Shareholders. The mid-to-long-term dividend payout ratio is not lower than 30% in principle, which will provide Shareholders with tangible returns. The specific dividend allocation will depend on the annual results, cash flows and other factors, subject to the approval of Shareholders at the relevant annual general meeting.

DEFINITIONS

2022 annual general meeting of the Company	"2022 AGM"
Automatic Fare Collection Clearing Centre (自動售檢票清算中心)	"ACC"
Automated Fare Collection System (自動售檢票系統)	"AFC"
Automatic Fare Collection Network Control Centre (自動售檢票線網管理中心)	"ANCC"
Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)* (保定基石連盈創業投資基金中心(有限合夥))	"Cornerstone Lianying"
Beijing Beikong Telecom Technology Service Co., Ltd.* (北京北控電信通技術服務有限公司)	"Beikong Telecom"
Beijing City Railway Holdings Company Limited （北京城市軌道交通控股有限公司）	"Beijing City Railway"
Beijing Cornerstone Huiying Venture Capital Centre (Limited Liability Partnership) (北京基石慧盈創業投資中心(有限合夥))	"Cornerstone Huiying"
Beijing Cornerstone Vision Digital Technology Co., Ltd.* (北京基石遠景數字科技有限公司)	"Cornerstone Vision"
Beijing Enterprises Environment Group Limited* (北京控股環境集團有限公司）	"Beijing Enterprises"
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司)	"BII"
Beijing Infrastructure Investment (Hong Kong) Limited （京投(香港)有限公司）	"BII HK"
Beijing Zhilian Youdao Technology Co., Ltd (北京智聯友道科技有限公司)	"Zhilian Youdao"
Beijing Metro Co., Ltd.* (北京京城地鐵有限公司)	"Beijing Metro"

Beijing Metro Network Administration Co., Ltd.* (北京軌道交通路網管理有限公司)	"Beijing Metro Network"
Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司)	"Metro Science and Technology"
Beijing New Cornerstone Testing & Certification Co., Ltd.* (北京新基石檢測認證有限公司)	"New Cornerstone"
BII Information Security Technology Development Company Limited* (北京京投信安科技發展有限公司)	"BII Xin An"
BII Railway Technology Development Holdings Company Limited (京投軌道科技發展有限公司)	"BII Railway"
BII Railway Transportation Technology Holdings Company Limited（京投軌道交通科技控股有限公司）	"the Company"
BII Railway Transportation Technology Holdings Company Limited and its subsidiaries (京投軌道交通科技控股有限公司及其附屬公司)	"the Group"
Beijing Subway Information Development Co., Ltd. (北京地鐵信息發展有限公司)	"Beijing Information"
BII Technical Equipment Group Co., Ltd.* (北京軌道交通技術裝備集團有限公司)	"BII Technical"
BII Technology Development Co., Ltd.* (北京京投卓越科技發展有限公司)	"BII Zhuoyue"
BII Transit Systems (Beijing) Co., Ltd.*（億雅捷交通系統(北京)有限公司）	"ERG (BJ)"
BII Transit Systems (HK) Co., Ltd（京投交通科技(香港)有限公司）	"ERG (HK)"
BII Transportation Technology (Beijing) Co., Ltd.* (北京京投億雅捷交通科技有限公司)	"BII ERG"
BII Zhongfu Technology Company Limited* (京投眾甫科技有限公司)	"BII Zhongfu"

Board of Directors	"Board"
China City Railway Transportation Technology Investment Co., Ltd. (中國城市軌道交通科技投資有限公司)	"CCRTT Investment"
For the year ended 31 December 2019	"FY 2019"
For the year ended 31 December 2020	"FY 2020"
For the year ended 31 December 2021	"FY 2021"
Great Legend Development Limited (華駿發展有限公司)	"Great Legend"
Litmus Technologies (Beijing) Co., Ltd.* (北京樂碼仕智能科技有限公司)	"Litmus"
More Legend Limited	"More Legend"
Multiple Line Centre (多線共用線路中心)	"MLC"
Ordinary share(s) of HK$0.01 each in the share capital of the Company	"Share(s)"
Passenger Information System (乘客信息系統)	"PIS"
Shareholder(s) of the Company	"Shareholder(s)"
Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技有限公司)	"Huaqi Intelligent"
the director(s) of the Company	"Director(s)"
The Rules Governing the Listing of Securities on the Stock Exchange	"Listing Rules"
The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)	"Stock Exchange"
Traffic Control Centre (線網指揮中心)	"TCC"

* *For identification purposes only*

Independent Auditor's Report

Independent auditor's report to the Shareholders of
BII Railway Transportation Technology Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of BII Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 164, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v)(i).

The Key Audit Matter

The Group's business involves entering into contractual relationships with customers to provide a range of services, including provision of design, production, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, and design, implementation and sale of related software, hardware and spare parts in utility tunnel areas.

A proportion of the Group's revenue and profits is derived from long-term contracts, most of which are fixed price contracts. The recognition of revenue over time on long-term contracts is based on the stage of completion of work performed on a contract at the reporting date. The recognition of revenue for an incomplete project is dependent on estimating the total outcome of the contract as well as the work performed to date. Forecasting the outcome of a contract involves the exercise of significant management judgement. Errors in contract forecasts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.

How the matter was addressed in our audit

Our audit procedures to assess the revenue recognition included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the revenue recognition;
- For the revenue recognition over time, selecting a sample of contracts, using a variety of quantitative and qualitative criteria, and performing the following procedures for each contract selected:
  - inspecting key terms, including price, deliverables, timetable and milestones, set out in the contract and inquiring of the relevant project managers and engineers about key aspects of the contract, including the estimated total contract costs, key project risks, contingencies and billing schedules;
  - challenging the underlying judgements of senior operational and financial management personnel in their estimations of total estimated contract costs and estimated costs to complete the contract where it was still in progress at the reporting date by comparing their estimates with relevant underlying documentation, including suppliers' quotations and agreed contracts;
  - comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (continued)

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v)(i).

The Key Audit Matter

The timing of recognition of revenue at point in time is when the control of the goods have passed to customers.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk that revenue could be recorded in an incorrect period or could be subject to manipulation in order to achieve financial targets and expectations.

How the matter was addressed in our audit

- agreeing total contract revenue to the contracted terms;
- recalculating the percentage of completion based on contract costs occurred up to the reporting date and estimated total contract costs;
- recalculating revenue recognised to date, based on total contract revenue and the percentage of completion;
- on a sample basis, comparing management's estimated costs to complete selected contracts at the end of the previous financial year with actual costs incurred during the current year and enquiring of the management about any significant variances identified.

- For the revenue recognition at point in time, selecting transactions on a sample basis and performing the following procedures:
  - inspecting sales contracts with customers on a sample basis to understand and assess the terms and conditions therein which may affect the recognition of revenue;
  - comparing sales transactions recorded around the year end, on a sample basis, with the underlying goods delivery notes to assess if the related revenue had been recognised in the appropriate accounting period.

KEY AUDIT MATTERS (CONTINUED)

Loss allowances for trade receivables and contract assets

Refer to Notes 18(a) and 19 to the consolidated financial statements and the accounting policies in Note 2(l)(i).

The Key Audit Matter

The Group's operations gave rise to significant trade receivable balances and contract assets. As at 31 December 2021, trade receivables and contract assets amounted to HK$525,942,000 and HK$631,030,000, respectively, which represented 11.91% and 14.29% of the total assets, respectively.

The Group measures loss allowances on trade receivables and contract assets at amounts equal to lifetime expected credit losses (the "ECL") using a provision matrix which involved significant management judgement in estimating loss rate and adjusting factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

How the matter was addressed in our audit

Our audit procedures to assess the loss allowances for trade receivables and contract assets included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating loss allowances for trade receivables and contract assets;
- comparing, on a sample basis, the categorisation of trade receivables and contract assets in the ageing report with invoices issued, contract terms, contract progress reports and other relevant underlying documentation;
- obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the management, including the basis of the segmentation of the accounts receivable based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;

KEY AUDIT MATTERS (CONTINUED)

Loss allowances for trade receivables and contract assets (continued)

Refer to Notes 18(a) and 19 to the consolidated financial statements and the accounting policies in Note 2(l)(i).

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing loss allowances for trade receivables and contract assets as a key audit matter because of the significance of the balances of trade receivables and contract assets to the consolidated financial statements and because of the significant management judgement required in estimating the loss allowances at the reporting date, which can be inherently uncertain.	• assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • inspecting cash receipts, on a sample basis, from customers subsequent to the financial year end relating to trade receivables and contract assets balances as at 31 December 2021.

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and intangible assets

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(l)(ii).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, goodwill amounted to HK$616,088,000 in total and was allocated to operations in the provision of application solutions related services and operations related to the civil communication transmission services business for the purpose of assessing potential impairment. As at 31 December 2021, intangible assets, which comprised software relating to certain types of application solutions, income rights relating to the civil communication transmission services, patent rights and trademark amounted to HK$232,366,000. Goodwill is assessed annually for potential impairment and the directors assess potential impairment of intangible assets when they consider that indicators of potential impairment of these assets exist. Management performs impairment assessments of the cash generating units ("CGUs") to which the assets are allocated by considering the value-in-use of these assets.	Our audit procedures to assess potential impairment of goodwill and intangible assets included the following: • evaluating management's identification of CGUs and the amounts of goodwill and intangible assets allocated to those CGUs; • evaluating the methodology used by management in its preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards; • evaluating the discount rates applied in the discounted cash flow forecasts by assessing whether they were within the range of those adopted by other companies in the same industry; • assessing and challenging the key assumptions adopted by management in its discounted cash flow forecasts, which included the value of contracts still to be delivered to customers, the expected timetable for those contracts, contract prices and estimated costs, with reference to historical profit margins of the individual CGUs, the financial budgets approved by the directors and our expectations based on our knowledge of the industry in which the Group operates;

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and intangible assets (continued)

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(l)(ii).

The Key Audit Matter

The value-in-use was determined by preparing discounted cash flow forecasts of the relevant CGUs. This involves a significant degree of management judgement, particularly in determining the key assumptions adopted, which include the value of contracts still to be delivered to customers, the expected timetable for those contracts, contract prices, estimated costs and the discount rates applied.

We identified assessing potential impairment of goodwill and intangible assets as a key audit matter because the impairment assessment of these assets involves a significant degree of management judgement in relation to the key assumptions adopted in the impairment assessment models some of which are inherently uncertain and may be subject to management bias.

How the matter was addressed in our audit

- performing a retrospective review of the prior year's discounted cash flow forecasts and comparing the forecast revenue and profit with the current year's actual results to assess the reliability of management's forecasting process;
- obtaining from management sensitivity analyses of the key assumptions, which include the value of contracts still to be delivered to customers, the expected timetable for those contracts, contract prices, estimated costs and the discount rates applied, adopted in the discounted cash flow forecasts and assessing the impact on the conclusion of the impairment assessment, the impairment charge for the year, and whether there were any indicators of management bias; and
- considering the disclosures in the consolidated financial statements in respect of impairment testing of goodwill and intangible assets with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021 (Expressed in Hong Kong dollars ("HK$"))

	Note	2021 HK$'000	2020 HK$'000
Revenue	4	**1,749,210**	1,549,976
Cost of sales		**(1,101,684)**	(934,717)
Gross profit	4(b)	**647,526**	615,259
Other income	5	**59,016**	49,962
Selling, general and administrative expenses		**(287,994)**	(257,867)
Impairment loss on trade receivables and contract assets	30(a)	**(7,138)**	(28,842)
Impairment loss on goodwill		**(64,747)**	–
Research expenses		**(164,421)**	(135,261)
Profit from operations		**182,242**	243,251
Finance costs	6(a)	**(27,038)**	(29,019)
Share of results of joint ventures and associates		**56,711**	(108,168)
Fair value change on other financial assets		**302**	–
Fair value change on contingent considerations		**18,627**	106,840
Profit before taxation	6	**230,844**	212,904
Income tax	7	**(31,339)**	(29,112)
Profit for the year		**199,505**	183,792
Attributable to:			
Equity shareholders of the Company		**187,535**	168,407
Non-controlling interests		**11,970**	15,385
Profit for the year		**199,505**	183,792
Earnings per share			
– Basic (HK$)	10	**0.089**	0.080
– Diluted (HK$)	10	**0.089**	0.080

The notes on pages 87 to 164 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 29(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 (Expressed in HK$)

	2021 HK$'000	2020 HK$'000
Profit for the year	**199,505**	183,792
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	**74,049**	141,983
Total comprehensive income for the year	**273,554**	325,775
Attributable to:		
Equity shareholders of the Company	**259,971**	307,161
Non-controlling interests	**13,583**	18,614
Total comprehensive income for the year	**273,554**	325,775

The notes on pages 87 to 164 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021 (Expressed in HK$)

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	11	**207,971**	170,171
Intangible assets	12	**232,366**	237,010
Goodwill	13	**616,088**	662,320
Interests in joint ventures and associates	15	**418,723**	356,256
Other financial assets	16	**67,576**	–
Contingent considerations	25	**27**	52
Deferred tax assets	28(b)	**40,188**	42,316
		1,582,939	1,468,125
Current assets			
Other financial assets	16	**–**	219,819
Inventories and other contract costs	17	**471,224**	410,731
Contract assets	18(a)	**631,030**	520,322
Trade and other receivables	19	**833,202**	687,074
Loans to an associate	20	**4,892**	7,130
Cash on hand and in bank	21	**893,375**	983,829
		2,833,723	2,828,905
Current liabilities			
Trade and other payables	22	**1,076,210**	893,658
Contract liabilities	18(b)	**68,799**	59,722
Bank and other borrowings	23	**48,775**	571,412
Lease liabilities	24	**17,747**	7,618
Current taxation	28(a)	**24,508**	24,670
Contingent considerations	25	**–**	88,830
Provision for warranties	26	**9,895**	8,564
		1,245,934	1,654,474
Net current assets		**1,587,789**	1,174,431
Total assets less current liabilities		**3,170,728**	2,642,556

The notes on pages 87 to 164 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2021 (Expressed in HK$)

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Bank and other borrowings	23	**300,000**	–
Lease liabilities	24	**40,520**	14,860
Contingent considerations	25	**–**	18,329
Deferred tax liabilities	28(b)	**51,589**	52,998
Deferred income		**4,938**	1,504
Provision for warranties	26	**1,787**	1,861
		398,834	89,552
NET ASSETS		**2,771,894**	2,553,004
CAPITAL AND RESERVES	29		
Share capital		**20,971**	20,971
Reserves		**2,639,189**	2,431,646
Total equity attributable to equity shareholders of the Company		**2,660,160**	2,452,617
Non-controlling interests		**111,734**	100,387
TOTAL EQUITY		**2,771,894**	2,553,004

Approved and authorised for issue by the board of directors on 29 March 2022.

Cao Wei
Director

Xuan Jing
Director

The notes on pages 87 to 164 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Expressed in HK$)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital HK$'000 (Note 29(c))	Share premium HK$'000 (Note 29(d)(i))	Capital reserve HK$'000 (Note 29(d)(ii))	Statutory reserves HK$'000 (Note 29(d)(iii))	Exchange reserve HK$'000 (Note 29(d)(iv))	Treasury share reserve HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1 January 2020	21,001	1,813,243	28,152	53,362	(117,180)	–	390,638	2,189,216	83,324	2,272,540
Changes in equity for 2020:										
Profit for the year	–	–	–	–	–	–	168,407	168,407	15,385	183,792
Other comprehensive income	–	–	–	–	138,754	–	–	138,754	3,229	141,983
Total comprehensive income	–	–	–	–	138,754	–	168,407	307,161	18,614	325,775
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(2,361)	(2,361)
Change in capital reserve of an associate	–	–	(568)	–	–	–	–	(568)	–	(568)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	810	810
Purchase of own shares	–	–	–	–	–	(1,190)	–	(1,190)	–	(1,190)
Cancellation of shares	(30)	–	(1,160)	–	–	1,190	–	–	–	–
Dividends approved in respect of the previous year (Note 29(b)(ii))	–	(42,002)	–	–	–	–	–	(42,002)	–	(42,002)
Appropriation to reserves	–	–	–	9,315	–	–	(9,315)	–	–	–
	(30)	(42,002)	(1,728)	9,315	–	–	(9,315)	(43,760)	(1,551)	(45,311)
Balance at 31 December 2020	20,971	1,771,241	26,424	62,677	21,574	–	549,730	2,452,617	100,387	2,553,004

The notes on pages 87 to 164 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2021 (Expressed in HK$)

	Attributable to equity shareholders of the Company								
	Share capital HK$'000 (Note 29(c))	Share premium HK$'000 (Note 29(d)(i))	Capital reserve HK$'000 (Note 29(d)(ii))	Statutory reserves HK$'000 (Note 29(d)(iii))	Exchange reserve HK$'000 (Note 29(d)(iv))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2021	20,971	1,771,241	26,424	62,677	21,574	549,730	2,452,617	100,387	2,553,004
Changes in equity for 2021:									
Profit for the year	–	–	–	–	–	187,535	187,535	11,970	199,505
Other comprehensive income	–	–	–	–	72,436	–	72,436	1,613	74,049
Total comprehensive income	–	–	–	–	72,436	187,535	259,971	13,583	273,554
Dividends to non-controlling interests	–	–	–	–	–	–	–	(4,671)	(4,671)
Capital injection from non-controlling shareholder	–	–	–	–	–	–	–	2,435	2,435
Dividends approved in respect of the previous year (Note 29(b)(ii))	–	(52,428)	–	–	–	–	(52,428)	–	(52,428)
Appropriation to reserves	–	–	–	21,263	–	(21,263)	–	–	–
	–	(52,428)	–	21,263	–	(21,263)	(52,428)	(2,236)	(54,664)
Balance at 31 December 2021	20,971	1,718,813	26,424	83,940	94,010	716,002	2,660,160	111,734	2,771,894

The notes on pages 87 to 164 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021 (Expressed in HK$)

	Note	2021 HK$'000	2020 HK$'000
Operating activities			
Profit before taxation		**230,844**	212,904
Adjustments for:			
Depreciation and amortisation	6(c)	**60,593**	55,890
Impairment loss on trade receivables and contract assets		**7,138**	28,842
Impairment loss on property, plant and equipment	6(c)	**–**	21,287
Impairment loss on goodwill	6(c)	**64,747**	–
Write-down of inventories	6(c)	**–**	5,477
Interest income	5	**(9,772)**	(15,380)
Investment income	5	**(3,014)**	(3,591)
Finance cost	6(a)	**27,038**	29,019
Share of results of joint ventures and associates		**(56,711)**	108,168
Net loss/(gain) on disposal of property, plant and equipment and intangible assets	6(c)	**36**	(77)
Release of deferred income		**(4,954)**	(1,068)
Fair value change on other financial assets		**(302)**	–
Fair value change on contingent considerations		**(18,627)**	(106,840)
Changes in working capital:			
(Increase)/decrease in inventories and other contract costs		**(50,327)**	132,834
Increase in trade and other receivables		**(131,310)**	(128,289)
Increase in contract assets		**(102,556)**	(110,694)
Decrease in income tax recoverable		**–**	3,934
Increase in deferred income		**4,762**	1,893
Decrease/(increase) in provision for warranties		**1,265**	(552)
Increase in trade and other payables		**80,896**	86,702
Increase in contract liabilities		**7,551**	33,334
Increase in restricted bank deposits		**(6,028)**	(11,861)
Cash generated from operations		**101,269**	341,932
Interest received		**9,772**	15,380
Income tax paid	28(a)	**(31,236)**	(35,727)
Net cash generated from operating activities		**79,805**	321,585
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(29,773)**	(44,415)
Proceeds from disposal of property, plant and equipment		**263**	1,149
Dividends received from joint ventures and associates		**2,802**	4,725
Investments in financial assets		**(67,270)**	–
Investments in associates		**(3,896)**	(2,038)
Net decrease in loans to an associate		**2,000**	–
Net proceeds/(payments) from debt investments		**221,024**	(35,793)
Payment for contingent considerations		**–**	(71,942)
Net cash generated from/(used in) investing activities		**125,150**	(148,314)

The notes on pages 87 to 164 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2021 (Expressed in HK$)

	Note	2021 HK$'000	2020 HK$'000
Financing activities			
Capital element of lease rentals paid	21(b)	**(11,336)**	(5,538)
Interest element of lease rentals paid	21(b)	**(1,256)**	(987)
Proceeds of bank and other borrowings	21(b)	**52,174**	67,627
Repayment of bank and other borrowings	21(b)	**(276,557)**	(60,354)
Interest paid	21(b)	**(26,999)**	(28,032)
Payment for purchase of own shares		**–**	(1,190)
Dividends paid to equity shareholders of the Company	29(b)	**(52,428)**	(42,002)
Dividends paid to non-controlling interests		**(3,156)**	(1,779)
Capital injection from non-controlling interests		**2,435**	810
Net cash used in financing activities		**(317,123)**	(71,445)
Net (decrease)/increase in cash and cash equivalents		**(112,168)**	101,826
Cash and cash equivalents at 1 January	21(a)	**944,489**	821,569
Effect of foreign exchange rate changes		**15,722**	21,094
Cash and cash equivalents at 31 December	21(a)	**848,043**	944,489

The notes on pages 87 to 164 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The listing of the Company's shares was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The consolidated financial statements of the Company as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures and associates. The principal activities of the Group are the design, production, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, as well as design, implementation and sale of related software, hardware and spare part in utility tunnel areas, and the investment in the railway transportation areas and infrastructure areas through investing in equity.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interests in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investments in debt and equity securities (see Note 2(g));

– contingent considerations, and

– options

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

– Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – phase 2*

– Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any equity interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(ii)), unless the investment is classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(f) and 2(l)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or joint ventures, after applying the expected credited losses ("ECLs") model to such other long-term interests where applicable.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

In the Company's statement of financial position, investment in associates and joint venture are stated at cost less impairment losses (see Note 2(l)(ii)), unless classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see Note 2(l)(ii)). Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments in debt and equity securities (continued)

(I) INVESTMENTS OTHER THAN EQUITY INVESTMENTS

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iv)).

– Fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(II) EQUITY INVESTMENTS

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(iii).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)).

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Buildings	20 years
Right-of-use assets	Over the lease term
Civil communication transmission systems	The shorter of 10 years or the estimated remaining useful lives
Others	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(l)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. These intangible assets with finite useful lives are amortised from the date they are available for use as follows:

	Estimated useful lives
Software	5 years
Income rights	The shorter of 13 years or the estimated remaining useful lives
Patent rights	10–15 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group treats trademark as intangible asset with indefinite useful life and reviews annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(I) AS A LESSEE

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(I) AS A LESSEE (CONTINUED)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets in "Property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(II) AS A LESSOR

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(k)(i), then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

The Group recognises a loss allowance for ECL on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to an associate);

– contract assets as defined in IFRS 15 (see Note 2(n)).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and derivative financial assets are not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(II) IMPAIRMENT OF OTHER NON-CURRENT ASSETS

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill;

– investments in joint ventures and associates; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(III) INTERIM FINANCIAL REPORTING AND IMPAIRMENT

Under the Listing Rules, the Group is required to prepare interim financial reports in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(l)). Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories and other contract costs

(I) INVENTORIES

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(II) OTHER CONTRACT COSTS

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(m)(i)), property, plant and equipment (see Note 2(i)) or intangible assets (see Note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories and other contract costs (continued)

(II) OTHER CONTRACT COSTS (CONTINUED)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(v).

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(n)).

Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (see Note 2(l)(i)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(l)(i).

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(s) Employee benefits

(I) SHORT-TERM EMPLOYEE BENEFITS AND CONTRIBUTIONS TO DEFINED CONTRIBUTION RETIREMENT PLANS

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(II) TERMINATION BENEFITS

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions, contingent liabilities and onerous contracts

(I) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(II) ONEROUS CONTRACTS

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(I) SERVICE CONTRACT

When the outcome of a service contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to date to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(u)(ii).

(II) SALE OF GOODS

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(III) DIVIDENDS

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (continued)

(IV) INTEREST INCOME

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(l)(i)).

(V) GOVERNMENT GRANTS

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently recognised in profit or loss over the useful life of the related asset on a reasonable and systematic manner.

(w) Translation of foreign currencies

Foreign currency transactions during the period are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into Hong Kong dollars, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13, 25, 26, 27 and 30 contain information about the assumptions and their risk factors relating to goodwill impairment, measurement of contingent considerations, estimation of provision for warranties, fair value of cash-settled share-based transaction and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in Note 2(v)(i), revenue from service contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the manufacturing and construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of trade receivables and contract assets

The impairment provisions for trade receivables and contract assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 30(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(c) Impairment of tangible and intangible assets

If circumstances indicate that the carrying amount of tangible or intangible asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of tangible and intangible assets as described in Note 2(l)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future years, where applicable.

(d) Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, production, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, as well as design, implementation and sale of related software, hardware and spare parts in utility tunnel areas, and the investment in the railway transportation areas and infrastructure areas through investing in equity. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(I) DISAGGREGATION OF REVENUE

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2021	2020
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from intelligent railway transportation services	**1,516,154**	1,340,574
Revenue from infrastructure information services	**233,056**	209,402
	1,749,210	1,549,976

For the year ended 31 December 2021, revenues from transactions with one customer (2020: one customer) has exceeded 10% of the Group's revenue:

	2021	2020
	HK$'000	HK$'000
Customer A	**281,153**	–
Customer B	**–**	170,074

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(II) REVENUE EXPECTED TO BE RECOGNISED IN THE FUTURE ARISING FROM CONTRACTS WITH CUSTOMERS IN EXISTENCE AT THE REPORTING DATE

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$2,199,100,000 (31 December 2020: HK$2,061,681,000). This amount represents revenue expected to be recognised in the future from intelligent railway transportation contracts and infrastructure information services contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 to 36 months (31 December 2020: next 1 to 36 months).

The above amount does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(III) TOTAL FUTURE MINIMUM PAYMENTS RECEIVABLE BY THE GROUP RELATED TO CIVIL COMMUNICATION TRANSMISSION SERVICES

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**166,675**	167,569
After 1 year but within 5 years	**116,599**	264,879
	283,274	432,448

(b) Segment reporting

The Group manages its businesses by business lines in a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments:

– Intelligent railway transportation: this segment provides design, production, implementation and sale, and maintenance of application solution services, which includes related software, hardware and spare parts in railway transportation areas.

– Infrastructure information: this segment provides civil communication transmission services as well as design, implementation and sale of related software, hardware and spare parts in utility tunnel areas.

– Business development investment: this segment manages the equity investments in railway transportation areas and infrastructure areas.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the years ended 31 December 2021 and 2020. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss on trade receivables and contract assets, impairment loss on goodwill, research expenses, finance costs, fair value change on other financial assets, fair value change on contingent considerations and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, such information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	2021			
	Intelligent railway transportation HK$'000	Infrastructure information HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition				
Point in time	1,304,894	10,213	–	1,315,107
Over time	211,260	222,843	–	434,103
Revenue from external customers and reportable segment revenue	1,516,154	233,056	–	1,749,210
Reportable segment gross profit	498,302	149,224	–	647,526
Share of results of joint ventures and associates	–	–	56,711	56,711

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS (CONTINUED)

	2020			
	Intelligent railway transportation HK$'000	Infrastructure information HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition				
Point in time	1,121,006	15,931	–	1,136,937
Over time	219,568	193,471	–	413,039
Revenue from external customers and reportable segment revenue	1,340,574	209,402	–	1,549,976
Reportable segment gross profit	494,267	120,992	–	615,259
Share of results of joint ventures and associates	–	–	(108,168)	(108,168)

(II) RECONCILIATION OF REPORTABLE SEGMENT PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Reportable segment gross profit	**647,526**	615,259
Share of results of joint ventures and associates	**56,711**	(108,168)
Other income	**59,016**	49,962
Selling, general and administrative expenses	**(287,994)**	(257,867)
Impairment loss on trade receivables and contract assets	**(7,138)**	(28,842)
Impairment loss on goodwill	**(64,747)**	–
Research expenses	**(164,421)**	(135,261)
Finance costs	**(27,038)**	(29,019)
Fair value change on financial assets	**302**	–
Fair value change on contingent considerations	**18,627**	106,840
Profit before taxation	**230,844**	212,904

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(III) GEOGRAPHIC INFORMATION

Disaggregation of revenue from contracts with customers by geographical location of customers is as follows:

	2021 HK$'000	2020 HK$'000
– Mainland China	**1,674,860**	1,509,187
– Hong Kong	**38,593**	40,789
– India	**35,757**	–
	1,749,210	1,549,976

The Group's non-current assets, including property, plant and equipment, intangible assets, goodwill and interests in joint ventures and associates, are all located or allocated to operations located in the PRC.

5 OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income	**9,772**	15,380
Investment income	**3,014**	3,591
Government grants	**41,723**	31,097
Net foreign exchange gain/(loss)	**1,173**	(523)
Others	**3,334**	417
	59,016	49,962

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2021 HK$'000	2020 HK$'000
Interests on bank and other borrowings	**973**	1,948
Interests on loans from a related party	**24,809**	26,084
Interest on lease liabilities	**1,256**	987
	27,038	29,019

(b) Staff costs

	2021 HK$'000	2020 HK$'000
Salaries, wages and other benefits	**319,406**	296,978
Contributions to defined retirement plans	**22,558**	2,426
Cash-settled share-based transaction expenses (Note 27(b))	**5,705**	4,810
	347,669	304,214

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme at a rate of 16% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed by the Group's subsidiaries incorporated in Hong Kong under a trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately. No forfeited contributions may be used by the Group to reduce the existing level of contributions as the contributions are fully vested to the employees upon payments to the MPF Scheme.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Note	2021 HK$'000	2020 HK$'000
Cost of inventories	17(b)	**797,745**	621,618
Auditors' remuneration:			
– statutory audit services		**3,376**	3,151
– other services		**1,146**	1,519
Impairment loss on property, plant and equipment	11(a)	**–**	21,287
Impairment loss on goodwill	13	**64,747**	–
Inventories write-down	17(b)	**–**	5,477
Depreciation charge	11(a)		
– owned property, plant and equipment		**27,396**	32,678
– right-of-use assets		**10,766**	7,441
Amortisation of intangible assets	12	**22,431**	15,771
Net gain on disposal of owned property, plant and equipment and intangible assets		**36**	(77)
Expense relating to short-term leases and leases of low value assets, which not included in the measurement of lease liabilities		**15,452**	11,621

Note:

Cost of inventories includes HK$109,547,000 (2020: HK$108,122,000) relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2021 HK$'000	2020 HK$'000
Current taxation (Note 28(a)):		
– Hong Kong Profits Tax	**6,717**	2,783
– PRC Corporate Income Tax	**24,357**	34,113
	31,074	36,896
Deferred taxation (Note 28(b)):		
– Origination and reversal of temporary differences	**265**	(7,784)
	31,339	29,112

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 HK$'000	2020 HK$'000
Profit before taxation	**230,844**	212,904
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii)(iii) and (iv))	**57,814**	53,171
Tax effect of non-deductible expenses	**4,884**	8,273
Tax effect of non-deductible fair value changes on contingent considerations	**(3,076)**	(17,617)
Share of results of joint ventures and associates	**(11,333)**	18,284
Non-taxable interest income	**(354)**	(2,024)
Non-taxable foreign exchange gains	**(360)**	(18)
Tax effect of utilisation of prior years' temporary differences previously not recognised	**(514)**	(152)
Tax effect of tax losses and deductible temporary differences not recognised	**13,611**	6,439
Tax concessions (Notes (v), (vi) and (vii))	**(29,333)**	(37,244)
Income tax	**31,339**	29,112

7 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2021 (2020: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

(ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) and India are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2021 (2020: 25%).

(iv) The subsidiary incorporated in India is subject to India Profits Tax rate of 25% for the year ended 31 December 2021 (2020: 25%).

(v) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2021. In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 75%/100% of the qualified research and development costs incurred by these subsidiaries (2020: 75%).

(vi) Certain subsidiaries of the Group were designated as software enterprises. As such, these subsidiaries were entitled to a two years' exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction. As a result, these subsidiaries enjoyed an exemption from PRC Corporate Income Tax or 50% PRC Corporate Income Tax reduction in for the year ended 31 December 2021.

(vii) During the year ended 31 December 2021, certain subsidiaries of the Group met the criteria of Small Low-profit Enterprise and enjoyed a preferential income tax policy. As such, for these subsidiaries, the first Renminbi ("RMB") 1 million of taxable profits are taxed at an effective tax rate of 5%; the second and third RMB1 million of taxable profits are taxed at an effective tax rate of 10%.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2021				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Ms. Xuan Jing	227	1,191	1,690	103	3,211
Non-executive directors					
Mr. Zhang Yanyou	–	–	–	–	–
Mr. Cao Wei	1,200	93	–	63	1,356
Mr. Guan Jifa	–	–	–	–	–
Mr. Zheng Yi	–	–	–	–	–
Mr. Gu Xiaoyan (appointed on 5 July 2021 and resigned on 29 March 2022)	–	–	–	–	–
Mr. Ren Yuhang (resigned on 5 July 2021)	–	–	–	–	–
Independent non-executive directors					
Mr. Bai Jinrong	240	–	–	–	240
Mr. Luo Zhenbang	240	–	–	–	240
Mr. Huang Lixin	240	–	–	–	240
	2,147	1,284	1,690	166	5,287

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2020				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Cao Wei	1,200	79	–	4	1,283
Ms. Xuan Jing	1,298	90	422	19	1,829
Non-executive directors					
Mr. Zhang Yanyou	–	–	–	–	–
Mr. Guan Jifa	–	–	–	–	–
Mr. Zheng Yi	–	–	–	–	–
Mr. Ren Yuhang	–	–	–	–	–
Independent non-executive directors					
Mr. Bai Jinrong	240	–	–	–	240
Mr. Luo Zhenbang	240	–	–	–	240
Mr. Huang Lixin	240	–	–	–	240
	3,218	169	422	23	3,832

Notes:

(i) Mr. Cao Wei has been re-designated from an executive director to a non-executive director, with effect from 21 January 2022.

(ii) There were no amounts paid during the year ended 31 December 2021 to the directors or any of the five highest paid individuals set out in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office.

Mr. Zhang Yanyou, Mr. Guan Jifa and Mr. Zheng Yi, being non-executive directors of the Company, had agreed to waive their director's fee of HK$240,000 during the year ended 31 December 2021 (2020: HK$240,000), respectively.

Ms. Gu Xiaohui, being non-executive directors of the Company, had agreed to waive her director's fee of HK$120,000 during the year ended 31 December 2021.

Mr. Ren Yuhang, being non-executive directors of the Company, had agreed to waive his director's fee of HK$120,000 during the year ended 31 December 2021 (2020: HK$240,000).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2020: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2020: three) individuals are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**3,949**	2,921
Discretionary bonuses	**6,328**	1,258
Retirement scheme contributions	**411**	13
	10,688	4,192

The emoluments of the four (2020: three) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2021	2020
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 - HK$3,000,000	**3**	–

10 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2021 is based on the profit attributable to ordinary equity shareholders of the Company of HK$187,535,000 (2020: HK$168,407,000) and the weighted average of 2,097,147,000 ordinary shares (2020: 2,098,787,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary shares at 1 January	**2,097,147**	2,100,127
Effect of shares repurchased	**–**	(1,340)
Weighted average number of ordinary shares at 31 December	**2,097,147**	2,098,787

The Group has no dilutive ordinary shares outstanding for the year ended 31 December 2021 and 2020. Therefore, there was no difference between basic and diluted earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings HK$'000	Right-of-use assets HK$'000	Civil communication transmission systems HK$'000	Others HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:						
At 1 January 2020	17,256	24,117	270,166	24,598	13,448	349,585
Exchange adjustments	1,519	2,606	19,303	2,008	602	26,038
Additions	–	10,308	–	4,890	29,295	44,493
Disposals	–	–	–	(4,207)	–	(4,207)
Lease matured	–	(5,925)	–	–	–	(5,925)
Transfer	–	–	34,020	–	(34,020)	–
At 31 December 2020	18,775	31,106	323,489	27,289	9,325	409,984
Accumulated depreciation and impairment:						
At 1 January 2020	750	5,393	158,952	8,886	–	173,981
Exchange adjustments	114	377	12,414	581	–	13,486
Charge for the year	2,030	7,441	23,227	7,421	–	40,119
Written back on disposals	–	–	–	(4,073)	–	(4,073)
Lease matured	–	(4,987)	–	–	–	(4,987)
Impairment loss	–	–	21,287	–	–	21,287
At 31 December 2020	2,894	8,224	215,880	12,815	–	239,813
Carrying amount:						
At 31 December 2020	15,881	22,882	107,609	14,474	9,325	170,171
Cost:						
At 1 January 2021	18,775	31,106	323,489	27,289	9,325	409,984
Exchange adjustments	552	631	9,650	898	316	12,047
Additions	–	47,698	–	10,353	13,730	71,781
Disposals	–	–	–	(1,024)	–	(1,024)
Transfer	–	–	10,750	–	(10,750)	–
At 31 December 2021	**19,327**	**79,435**	**343,889**	**37,516**	**12,621**	**492,788**
Accumulated depreciation and impairment:						
At 1 January 2021	2,894	8,224	215,880	12,815	–	239,813
Exchange adjustments	66	312	6,598	591	–	7,567
Charge for the year	633	10,766	18,201	8,562	–	38,162
Written back on disposals	–	–	–	(725)	–	(725)
At 31 December 2021	**3,593**	**19,302**	**240,679**	**21,243**	**–**	**284,817**
Carrying amount:						
At 31 December 2021	**15,734**	**60,133**	**103,210**	**16,273**	**12,621**	**207,971**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December 2021 HK$'000	At 31 December 2020 HK$'000
Buildings	**60,133**	22,882

The Group has obtained the right to use office premises through tenancy agreements. The leases typically run for an initial period of 24 to 60 months.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
Depreciation charge of properties leased for own use, carried at depreciated cost	**10,766**	7,441
Interest on lease liabilities (Note 6(a))	**1,256**	987
Expense relating to short-term leases and leases of low value assets, which not included in the measurement of lease liabilities	**15,452**	11,621

During the year, the Group recognised the additions to right-of-use assets of HK$47,698,000 for certain newly signed lease agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 21(c) and 24, respectively.

12 INTANGIBLE ASSETS

	Software HK$'000	Income rights HK$'000	Patent rights HK$'000	Trademark HK$'000	Total HK$'000
Cost:					
At 1 January 2020	34,331	105,267	55,816	94,887	290,301
Exchange adjustments	2,080	6,779	3,768	6,111	18,738
Additions	10,013	–	218	–	10,231
At 31 December 2020	46,424	112,046	59,802	100,998	319,270
Accumulated amortisation:					
At 1 January 2020	14,076	42,808	4,646	–	61,530
Exchange adjustments	1,518	3,263	178	–	4,959
Charge for the year	646	9,042	6,083	–	15,771
At 31 December 2020	16,240	55,113	10,907	–	82,260
Carrying amount:					
At 31 December 2020	30,184	56,933	48,895	100,998	237,010
Cost:					
At 1 January 2021	46,424	112,046	59,802	100,998	319,270
Exchange adjustments	1,145	3,289	1,986	2,965	9,385
Additions	11,331	–	–	–	11,331
At 31 December 2021	**58,900**	**115,335**	**61,788**	**103,963**	**339,986**
Accumulated amortisation:					
At 1 January 2021	16,240	55,113	10,907	–	82,260
Exchange adjustments	419	1,757	753	–	2,929
Charge for the year	6,583	9,690	6,158	–	22,431
At 31 December 2021	**23,242**	**66,560**	**17,818**	**–**	**107,620**
Carrying amount:					
At 31 December 2021	**35,658**	**48,775**	**43,970**	**103,963**	**232,366**

Notes:

(i) The amortisation charges for the year of software, income rights and patent rights are included in "cost of sales" and "selling, general and administrative expense" in the consolidated statement of profit or loss.

(ii) At 31 December 2021, the intangible asset with indefinite useful life held by the Group was trademark. The recoverable amount of the trademark is determined based on value-in-use calculations of deemed royalty income from trademark. The deemed royalty income from trademark is based on forecasts prepared by the directors of the Company covering a five-year period and expected royalty rate. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2020: 2.6%). The cash flows are discounted using a discount rate of 17.38% (2020: 19.57%).

13 GOODWILL

	HK$'000
Cost:	
At 1 January 2020	622,239
Exchange adjustments	40,081
At 31 December 2020 and 1 January 2021	662,320
Exchange adjustments	19,441
At 31 December 2021	681,761
Accumulated impairment losses:	
At 31 December 2020 and 1 January 2021	–
Additions	64,747
Exchange adjustments	926
At 31 December 2021	65,673
Carrying amount:	
At 31 December 2021	616,088
At 31 December 2020	662,320

13 GOODWILL (CONTINUED)

Impairments tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to the operations of the Group as follows:

	Note	**2021 HK$'000**	2020 HK$'000
Operations in intelligent railway transportation services			
– Suzhou Huaqi Intelligent Technology Co., Ltd. ("Huaqi Intelligent")	(i)	**547,361**	595,553
– Provision of application solution service	(ii)	**57,761**	56,113
Operations related to the civil communication transmission systems business	(iii)	**10,966**	10,654
		616,088	662,320

Notes:

(i) As a result of a decline of Huaqi Intelligent's performance and in view of the business risks brought by the market environment in the near future, the Group considers there is an impairment indicator of Huaqi Intelligent. For the purpose of impairment testing, the recoverable amount of the CGU of Huaqi Intelligent is determined by the Group based on value-in-use calculations. A professional independent third party valuer was engaged by the Group to help with the calculations.

These calculations use cash flow projections based on financial budgets prepared by the Group covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2020: 2.6%). The cash flows are discounted using a discount rate of 12.84% (2020: 14.24%). The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

The impairment loss on goodwill of HK$64,747,000 during the year ended 31 December 2021 is solely to Huaqi Intelligent. As the CGU has been reduced to its recoverable amount of HK$735,078,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(ii) The recoverable amount of the CGU of provision of application solution service is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2020: 2.6%). The cash flows are discounted using a discount rate of 14.71% (2020: 15.06%). The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

(iii) The recoverable amount of the CGU of operations related to the civil communication transmission systems business is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2020: 2.6%). The cash flows are discounted using a discount rate of 16.4% (2020: 16.5%). The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

(Expressed in HK$ unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group:

Name of subsidiary	Place of establishment/ incorporation and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest		Principal activities
			The Group's effective interest	Held by subsidiaries	
BII Transit Systems (Beijing) Co., Ltd.* 億雅捷交通系統(北京)有限公司**	The PRC	Registered capital of RMB50,000,000 and paid-up capital of RMB12,550,000	100%	100%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, sale of related software, hardware and spare parts in utility tunnel areas
BII Transit Systems (HK) Co., Ltd.	Hong Kong	1,000 shares	100%	100%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies
BII Transportation Technology (Beijing) Co., Ltd.* 北京京投億雅捷交通科技有限公司	The PRC	RMB100,000,000	100%	100%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, sale of related software, hardware and spare parts in utility tunnel areas
BII Technology Development Co., Ltd.* 北京京投卓越科技發展有限公司**	The PRC	RMB300,000,000	100%	100%	Provision of civil communication transmission services, design, implementation and sale of related software
China City Railway Transportation Technology Investment Company Limited ("CCRTT Investment")	Hong Kong	HK$18,000,010	70%	70%	Investment holding

(Expressed in HK$ unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of establishment/ incorporation and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest		Principal activities
			The Group's effective interest	Held by subsidiaries	
BII Information Security Technology Development Co.,Ltd. ("BII XIN'AN")* 北京京投信安科技發展有限公司	The PRC	RMB50,000,000	51%	51%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies
Huaqi Intelligent* 蘇州華啟智能科技有限公司**	The PRC	RMB60,000,000	95%	95%	Design, production and sale of produce on-board passenger information system ("on-board PIS"), train control and remote diagnosis system and train network control system
Litmus Technologies (Beijing) Co., Ltd. ("Litmus")* 北京樂碼仕智能科技有限公司	The PRC	RMB14,285,700	51%	51%	Design, implementation and sale of products and application solutions for the intelligent rail transit operation and maintenance

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

** These companies are foreign owned enterprises established in the PRC.

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the financial information of CCRTT Investment, BII XIN'AN, Huaqi Intelligent and Litmus, the major subsidiaries of the Group which have non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	CCRTT Investment		BII XIN'AN		Huaqi Intelligent		Litmus	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Effective NCI percentage	**30%**	30%	**49%**	49%	**5%**	5%	**49%**	49%
Revenue	**–**	–	**86,524**	54,290	**632,883**	690,275	**55,279**	36,255
Profit for the year	**5,901**	5,612	**8,894**	9,424	**100,672**	130,453	**10,315**	8,041
Profit attributable to NCI	**1,770**	1,684	**4,358**	4,618	**4,890**	5,805	**5,054**	3,940
Non-current assets	**65,872**	61,045	**8,885**	109	**74,146**	61,731	**882**	6,708
Current assets	**8,198**	7,121	**119,517**	76,126	**1,172,498**	1,126,985	**86,618**	59,960
Current liabilities	**7,024**	1	**81,670**	52,919	**365,282**	409,628	**30,952**	22,114
Non-current liabilities	**–**	–	**7,056**	–	**4,471**	4,356	**2,576**	–
Net assets	**67,046**	68,165	**39,676**	23,316	**876,891**	774,732	**53,972**	44,554
Net assets attributable to NCI	**20,114**	20,450	**18,652**	11,425	**49,000**	45,070	**27,177**	22,568

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES

	2021 HK$'000	2020 HK$'000
Unlisted equity investments at cost	**420,359**	416,463
Share of results	**(3,050)**	(55,036)
Dividend	**(5,435)**	(4,725)
Exchange adjustments	**6,849**	(446)
	418,723	356,256

(Expressed in HK$ unless otherwise indicated)

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Details of the Group's interests in joint ventures and associates, which are accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of joint venture/ associate	Note	Place of establishment and operations	Particulars of registered capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Joint ventures							
Beijing Metro Science and Technology Development Co., Ltd. ("Metro Science and Technology")* 北京地鐵科技發展有限公司	(i)	The PRC	RMB30,000,000	49%	–	49%	Overall maintenance of urban railway transportation AFC system
Beijing Metro Co., Ltd. ("Beijing Metro")* 北京京城地鐵有限公司	(ii)	The PRC	RMB500,000,000	49%	49%	–	Subway operations management
Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership) ("Chuangying Centre")* 北京基石創盈投資管理中心（有限合夥）	(iii)	The PRC	RMB2,000,000	20%	–	20%	Management of assets and investment
Beijing Cornerstone Chuangying Investment Centre (Limited Liability Partnership) ("Cornerstone Chuangying")* 北京基石創盈投資中心（有限合夥）	(iii)	The PRC	RMB201,000,000	24.88%	–	24.88%	Investment holding
Associates							
Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership) ("Cornerstone Lianying")* 保定基石連盈創業投資基金中心（有限合夥）	(iv)	The PRC	RMB298,000,000	8.39%	–	8.39%	Investment holding
Suzhou YQK Electronic Technology Co., Ltd. ("Suzhou YQK")* 蘇州易啟康電子科技有限公司	(v)	The PRC	RMB10,000,000	24.88%	–	24.88%	Research and production of "on-board PIS" products
Suzhou Shida Xunyuan Electronic Technology Co., Ltd. ("Shida Xunyuan")* 蘇州視達訊遠電子科技有限公司	(v)	The PRC	RMB6,400,000	25.40%	–	25.40%	Production of railway accessories
Guangdong Zhongcheng Transportation Technology Co., Ltd. ("Guangdong Zhongcheng")* 廣東眾城交通技術有限公司	(v)	The PRC	RMB50,000,000	26.50%	–	26.50%	Production of railway accessories
Zhongci Jiangsu Transportation Industry Co., Ltd. ("Zhongci Jiangsu")* 中磁江蘇交通產業股份有限公司	(vi)	The PRC	RMB100,000,000	32.33%	–	32.33%	Production of railway accessories
Tianjin Wuyang Zhitong Intelligent Technology Co., Ltd. ("Tianjin Wuyang")* 天津五洋智通智能科技有限公司	(vii)	The PRC	RMB10,000,000	49%	–	49%	Production of railway accessories

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Notes:

(i) Metro Science and Technology was established on 18 February 2016 by the Group, through a subsidiary, with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the maintenance of application solutions for overall maintenance of urban railway transportation AFC system in Mainland China. Metro Science and Technology is a private company whose quoted market price is not available.

(ii) Beijing Metro was established on 15 February 2016 by the Company with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the operational management for subway lines in Beijing. Beijing Metro is a private company whose quoted market price is not available.

(iii) The Group is a limited partner of Chuangying Centre and Cornerstone Chuangying, which are partnership entities and have two and five other partners, respectively. The Group provided 20% and 24.88% capital contribution into these two partnership entities. Pursuant to the partnership agreement, the Group has joint control over the governing body of respective partnership. Chuangying Centre is the general partner of Cornerstone Chuangying.

(iv) The Group is a limited partner of Cornerstone Lianying which is a partnership entity and has 14 other partners. The Group provided 8.39% capital contribution into the partnership entity. Pursuant to the partnership agreement, the Group has the right to cast one vote at the investment committee's meeting, the governing body which directs the relevant activities that significantly affect the returns of Cornerstone Lianying.

(v) Suzhou YQK, Shida Xunyuan and Guangdong Zhongcheng held by Huaqi Intelligent which was acquired by the Group through business combination. These companies mainly focus on railway production operation.

(vi) Zhongci Jiangsu was established on 20 March 2019 by the Group, through a subsidiary, with other two investors, to carry out a specific project management. According to the investment agreement, the Group has rights to designate a director. The company mainly focus on production of railway accessories.

(vii) Tianjin Wuyang was established on 20 May 2020 by the Group, through a subsidiary, with other two investors, to carry out a specific project management. According to the investment agreement, the Group has rights to designate two directors. The company mainly focus on production of on-board PIS products.

All of the above joint ventures and associates are accounted for using the equity method in the consolidated financial statements.

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Metro Science and Technology		Beijing Metro	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Gross amounts of the joint ventures				
Current assets	**452,675**	364,426	**286,930**	447,494
Non-current assets	**9,876**	9,005	**1,488,700**	1,551,065
Current liabilities	**328,113**	247,749	**108,116**	1,566,809
Non-current liabilities	**–**	1,126	**1,185,202**	–
Net assets	**134,438**	124,556	**482,312**	431,750
Included in the above assets and liabilities:				
Cash and cash equivalents	**101,763**	80,690	**18,273**	217,331
Current financial liabilities (excluding trade and other payables and provisions)	**9,871**	1,789	**3,807**	179
Revenue	**431,091**	351,592	**433,064**	307,791
Profit/(loss) for the year ended 31 December	**12,369**	12,857	**55,936**	(232,858)
Included in the above profit/(loss):				
Depreciation	**3,351**	2,736	**50,512**	54,012
Interest income	**544**	432	**5,091**	8,609
Reconciled to the Group's interests in the joint ventures				
Gross amounts of the joint ventures' net assets	**134,438**	124,556	**482,312**	431,750
Carrying amounts in the consolidated financial statements	**65,875**	61,032	**236,333**	211,558

Aggregate information of joints ventures and associates that are not individually material are listed below:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of individually immaterial joint ventures and associates in the consolidated financial statements	**116,515**	83,666
Aggregate amounts of the Group's share of those joint ventures and associates' loss from continuing operation	**23,242**	(368)

16 OTHER FINANCIAL ASSETS

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Equity investments measured at FVPL			
– Beijing Cornerstone Huiying Venture Capital Investment Centre (Limited Liability Partnership) ("Cornerstone Huiying")* 北京基石慧盈創業投資中心(有限合夥)	(i)	**30,883**	–
– Beijing Zhilian Youdao Co., Ltd. ("Beijing Zhilian")* 北京智聯友道科技有限公司	(ii)	**36,693**	–
		67,576	–
Current assets			
Debt investments measured at FVPL			
– wealth management products	(iii)	**–**	219,819

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

Notes:

(i) Cornerstone Huiying was established on 19 August 2020 and engaged in providing equity investment services. The Group holds 9.09% ownership of interest of Cornerstone Huiying, and has no rights to designate directors. The equity investment is accounted as FVPL.

(ii) Beijing Zhilian was established on 10 March 2016 and engaged in providing education services regarding rail transit. The Group holds 7.14% ownership of interest of Beijing Zhilian, and has rights to designate one director. The investment in Beijing Zhilian is redeemable at the option of the Group in case of occurrence of certain triggering events. The equity investment is accounted as FVPL.

(iii) The Group's investments on wealth management products issued by financial institutions with guaranteed principal amounts plus variable returns was accounted for as other financial assets measured at FVPL.

17 INVENTORIES AND OTHER CONTRACT COSTS

(a) Inventories in the consolidated statement of financial position comprise:

	2021 HK$'000	2020 HK$'000
Application solution related software, hardware and spare parts	**422,114**	366,149
Materials to be assigned to services contracts	**49,110**	44,582
	471,224	410,731

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss during the year is as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount of inventories sold	**797,745**	621,618
Write-down of inventories	**–**	5,477
	797,745	627,095

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 HK$'000	2020 HK$'000
Contract assets		
Arising from performance under contracts with customers	**686,535**	569,521
Less: loss allowance	**(55,505)**	(49,199)
	631,030	520,322
Trade receivables and bills receivable from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (Note 19)	**713,245**	625,267

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's service contracts include payment schedules which require stage payments over the service period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a one to three years retention period after the performance of sales contracts, during which credit term may be granted to customers for retentions receivable, depending on the market practice of the industry and credit assessment carried out by management on an individual customer basis.

The amount of contract assets that is expected to be recovered after more than one year is HK$38,361,000 (2020: HK$41,083,000), all of which relates to retentions.

(b) Contract liabilities

	2021 HK$'000	2020 HK$'000
Contract liabilities		
Service contracts		
– Billings in advance of performance	**68,799**	59,722

Typical payment terms which impact on the amount of contract liabilities recognised arising from service contracts are as follows:

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

18 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities (continued)

MOVEMENTS IN CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Balance at 1 January	**59,722**	31,568
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(60,608)**	(31,820)
Increase in contract liabilities as a result of billing in advance of service	**67,828**	56,557
Exchange adjustments	**1,857**	3,417
Balance at 31 December	**68,799**	59,722

The amount of billings in advance of performance and forward sales deposits received expected to be recognised as income within one year is HK$68,799,000 (2020: HK$59,722,000).

19 TRADE AND OTHER RECEIVABLES

	Note	2021 HK$'000	2020 HK$'000
Trade receivables due from:			
– third parties		**484,688**	317,040
– affiliates of an equity shareholder of the Company		**67,477**	4,853
– a joint venture of the Group		**1,167**	1,196
Bills receivable		**187,303**	326,479
		740,635	649,568
Amounts due from related parties:	19(b)		
– equity shareholders of the Company and their affiliates		**6,792**	440
– an associate of the Group		**–**	1,188
		6,792	1,628
Less: loss allowance of trade receivables		**(27,390)**	(24,301)
Prepayments, deposits and other receivables		**97,295**	55,165
VAT recoverable		**14,801**	3,975
Financial assets measured at amortised cost		**832,133**	686,035
Fair value of put-options in connection with acquisition of Litmus	19(c)	**1,069**	1,039
		833,202	687,074

All of the trade and other receivables are expected to be settled or recognised as expenses within one year.

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivables, based on the invoice date, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**597,147**	564,760
Over 1 year	**143,488**	84,808
	740,635	649,568

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 30(a).

(b) Amounts due from related parties

Amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) Put-options in connection with acquisition of Litmus

Pursuant to the acquisition agreements of Litmus, the former equity holders of Litmus granted three put-options to the Group. Each put-option gives the Group the right to put back its equity interests in Litmus to the former equity holders. The exercise price of these put-options are determined based on the highest amount among calculation results of pre-determined formulae and valuation report issued by qualified valuation firm.

Put-options were granted under vesting conditions with reference to financial performance of Litmus during the years ended 31 December 2020, 2021 and 2022. The commencement date of the vesting conditions varies and is separately determined for each put-option granted upon the grant date. These put-options will be lapsed after 31 December 2022.

20 LOANS TO AN ASSOCIATE

On 11 June 2021, a subsidiary of the Group granted a loan of RMB4,000,000 (equivalent to approximately HK$4,892,000) to an associate of the Group, which bears an interest rate of 4.35% per annum. The loan is secured by a related party of the Group and repayable within 12 months.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2021 HK$'000	2020 HK$'000
Cash on hand and at bank	**848,043**	944,489
Restricted bank deposits	**45,332**	39,340
Cash and cash equivalents in the consolidated statement of financial position	**893,375**	983,829
Less: restricted bank deposits	**(45,332)**	(39,340)
Cash and cash equivalents in the consolidated cash flow statement	**848,043**	944,489

The Group's operations in the PRC (excluding Hong Kong) are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC (excluding Hong Kong) is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings HK$'000 (Note 23)	Lease liabilities HK$'000 (Note 24)	Interest payable HK$'000	Total HK$'000
At 1 January 2021	**571,412**	**22,478**	**1,354**	**595,244**
Changes from financing cash flows for 2021:				
Proceeds of bank and other borrowings	**52,174**	**–**	**–**	**52,174**
Repayment of bank and other borrowings	**(276,557)**	**–**	**–**	**(276,557)**
Capital element of lease rentals paid	**–**	**(11,336)**	**–**	**(11,336)**
Interest element of lease rentals paid	**–**	**(1,256)**	**–**	**(1,256)**
Interest paid	**–**	**–**	**(26,999)**	**(26,999)**
Total changes from financing cash flows	**(224,383)**	**(12,592)**	**(26,999)**	**(263,974)**
Other changes:				
Increase in lease liabilities from entering into new leases during the year	**–**	**47,698**	**–**	**47,698**
Interest expense	**–**	**1,256**	**25,782**	**27,038**
Exchange adjustments	**1,746**	**(573)**	**14**	**1,187**
Total other changes	**1,746**	**48,381**	**25,796**	**75,923**
At 31 December 2021	**348,775**	**58,267**	**151**	**407,193**

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings HK$'000 (Note 23)	Lease liabilities HK$'000 (Note 24)	Interest payable HK$'000	Total HK$'000
At 1 January 2020	559,876	17,171	1,354	578,401
Changes from financing cash flows for 2020:				
Proceeds of bank and other borrowings	67,627	–	–	67,627
Repayment of bank and other borrowings	(60,354)	–	–	(60,354)
Capital element of lease rentals paid	–	(5,538)	–	(5,538)
Interest element of lease rentals paid	–	(987)	–	(987)
Interest paid	–	–	(28,032)	(28,032)
Total changes from financing cash flows	7,273	(6,525)	(28,032)	(27,284)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	10,308	–	10,308
Interest expense	–	987	28,032	29,019
Exchange adjustments	4,263	537	–	4,800
Total other changes	4,263	11,832	28,032	44,127
At 31 December 2020	571,412	22,478	1,354	595,244

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2021 HK$'000	2020 HK$'000
Within operating cash flows	**(15,452)**	(11,621)
Within financing cash flows	**(12,592)**	(6,525)
	(28,044)	(18,146)

22 TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables due to:		
– third parties	**625,225**	516,844
– affiliates of equity shareholders of the Company (Note 34)	**55,724**	57,870
– a joint venture of the Group	**11,048**	4,802
– associates of the Group	**1,407**	7,678
Bills payables	**129,891**	146,640
	823,295	733,834
Payable for acquisition (Note 25)	**91,438**	–
Accrued expenses and other payables	**118,448**	126,089
Financial liabilities measured at amortised cost	**1,033,181**	859,923
Other taxes payables	**31,456**	28,114
Put-options in connection with share-based transaction (Note 27(c))	**11,573**	5,621
	1,076,210	893,658

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills payables (which are included in trade and other payables), based on the maturity date, is as follows:

	2021 HK$'000	2020 HK$'000
Due within 1 month or on demand	**719,554**	599,099
Due after 1 month but within 6 months	**92,733**	76,574
Due after 6 months but within 1 year	**11,008**	58,161
	823,295	733,834

23 BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	Note	2021 HK$'000	2020 HK$'000
Bank loans			
– Guaranteed and unsecured	(i)	**35,321**	50,024
– Unguaranteed and unsecured		**13,454**	21,388
Borrowings from a related party	(iii)	**300,000**	500,000
		348,775	571,412

Notes:

(i) At 31 December 2021, the bank loans were guaranteed by Bank of Ningbo, a third party.

(ii) Some of the Group's bank loans are subject to fulfilment of covenants commonly found in lending agreements with financial institutions. If the Group were to breach the covenants, the drawn down loans would become payable on demand. The Group's management regularly monitors its compliance with these covenants. As at 31 December 2021, none of the covenants relating to the drawn down facilities has been breached.

(iii) At 31 December 2021, the borrowings from a related party were secured by the charge of the Company's partial rights and interests of a subsidiary.

All of the bank and other borrowings are carried at amortised cost and carrying amount repayable are as follows:

	2021 HK$'000	2020 HK$'000
Bank loans:		
– Within 1 year	**48,775**	71,412
Borrowings from a related party:		
– Within 1 year	**–**	500,000
– After 2 years but within 3 years	**300,000**	–
	348,775	571,412
Less: amounts due within 1 year shown under current liabilities	**(48,775)**	(571,412)
Amounts shown under non-current liabilities	**300,000**	–

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	At 31 December 2021		At 31 December 2020	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**17,747**	**18,315**	7,618	8,103
After 1 year but within 2 years	**18,564**	**19,854**	7,709	8,290
After 2 years but within 5 years	**21,956**	**25,862**	7,151	7,806
	40,520	**45,716**	14,860	16,096
	58,267	**64,031**	22,478	24,199
Less: total future interest expenses		**(5,764)**		(1,721)
Present value of lease liabilities		**58,267**		22,478

25 CONTINGENT CONSIDERATIONS

	Note	2021 HK$'000	2020 HK$'000
Contingent considerations representing:			
Non-current assets	(a)	**27**	52
Non-current liabilities		**–**	18,329
Current liabilities		**–**	88,830
	(b)	**–**	107,159

Notes:

(a) The long-term receivables, which is part of consideration in connection with acquisition of Litmus, represent fair value of expected payments from former equity holders of Litmus. Pursuant to the acquisition agreements, the former equity holders was liable to compensate the shortfalls between net profits and pre-set targets of Litmus for the years ended 31 December 2020, 2021 and 2022, respectively.

(b) These payables represent fair value of deferred considerations arising from acquisition of Huaqi Intelligent. Pursuant to the acquisition agreements, part of total consideration was deferred into three batches, and conditional on achievement of financial targets set for Huaqi Intelligent for the years ended 31 December 2019, 2020 and 2021, which was pre-determined in the acquisition agreements.

28%, 32% and 40% of deferred considerations will be paid upon the achievement of the respective year's financial target. Partial achievement on the financial targets will result in the reduction in the payment amounts, calculated in accordance with the pre-determined formulae as set out in the acquisition agreements.

As at 31 December 2021, based on the actual performance of Huaqi Intelligent for the year ended 31 December 2021, the directors of the Group are of opinion that the Group has no obligation on paying for the contingent considerations except for the amount recorded in "trade and other payables", which is based on the actual performance of Huaqi Intelligent for the year ended 31 December 2020.

26 PROVISION FOR WARRANTIES

	2021 HK$'000	2020 HK$'000
At 1 January	**10,425**	10,891
Addition in provision	**19,379**	5,639
Utilised	**(18,442)**	(6,745)
Exchange adjustments	**320**	640
At 31 December	**11,682**	10,425
Less: provision within one year	**(9,895)**	(8,564)
	1,787	1,861

The above represents the warranty costs for repairs, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and replacement. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27 CASH-SETTLED SHARE-BASED TRANSACTION

On 1 March 2019, the Group completed the acquisition of 95% equity interests of Huaqi Intelligent. Six put-options were granted to two limited partnerships (the "Holders"), which are collectively owned by management personnel of Huaqi Intelligent. Each put-option gives the Holders the right to put part/all of their owned equity interests in Huaqi Intelligent (the "Underlying Assets") to the Group.

(a) Major terms and conditions of the grants are as follows:

<table>
<tr><th>Put-options</th><th>The Underlying Assets, which are puttable</th><th>Conditions</th><th>Contractual life</th></tr>
<tr><td>No. 1</td><td>Up to 1.5% equity interests in Huaqi Intelligent</td><td rowspan="3">Both performance and non-vesting conditions apply (Note)</td><td rowspan="3">Expired up to 31 December 2022</td></tr>
<tr><td>No. 2</td><td>Up to 1.5% equity interests in Huaqi Intelligent</td></tr>
<tr><td>No. 3</td><td>All the Underlying Assets</td></tr>
<tr><td>No. 4</td><td>All the Underlying Assets</td><td>Both performance and non-vesting conditions apply</td><td>Expired up to 31 December 2023</td></tr>
<tr><td>No. 5</td><td>All the Underlying Assets</td><td rowspan="2">Both performance and non-vesting conditions apply</td><td rowspan="2">Expired up to 31 December 2024</td></tr>
<tr><td>No. 6</td><td>All the Underlying Assets</td></tr>
</table>

Put-options were granted under vesting conditions with reference to financial performance of Huaqi Intelligent (the "Financial KPIs") and non-vesting condition. The commencement date of the vesting conditions varies and is separately determined for each put-option granted upon the grant date.

Note:

Partial achievement on the Financial KPIs will result in the reduction in the puttable Underlying Assets vested, calculated in accordance with the pre-determined formulae at the date of grant.

(Expressed in HK$ unless otherwise indicated)

27 CASH-SETTLED SHARE-BASED TRANSACTION (CONTINUED)

(b) The number and weighted average exercise price of put-options are as follows:

	Percentage of the Underlying Assets subject to put-options	
	2021	2020
Outstanding at the beginning of the period	**100%***	100%*
Granted during the period	**–**	–
Outstanding at the end of the period	**100%***	100%*
Exercisable at the end of the period	**54%***	–

* 100% of the Underlying Assets represents 5% equity interests of Huaqi Intelligent.

The exercise price of put-options, which are outstanding at 31 December 2021 is calculated in accordance with the pre-determined formulae at the date of grant. The inputs of these formulae are mainly Financial KPIs of respective assessment year of the put-option.

(c) Fair value of options and assumptions

The fair value of services received in return for put-options granted is measured by reference to the fair value of put-options granted. The estimate of the fair value of the put-options granted is measured based on Black-Scholes model and expected likelihood of occurrence of non-vesting condition. The expected exercise price, expected period, expected volatility of the price of the Underlying Assets, expected dividend yield, the risk-free rate and market price of the Underlying Assets are used as the key inputs into the model with reference to the acquisition agreement and comparable companies historical trading information. The expected exercisable price is estimated based on financial forecasts of Huaqi Intelligent, which is prepared by the management of the Group, and calculated in accordance with the pre-determined formulae at the date of grant. Expected dividends are based on historical dividends of Huaqi Intelligent.

Expected fulfilment of vesting conditions is taken into account by adjusting the portion of the puttable Underlying Assets included in the measurement of the liabilities arising from the outstanding put-options.

The fair value of the liabilities arising from the outstanding put-options as at 31 December 2021 was HK$11,573,000 (31 December 2020: HK$5,621,000). Changes in the subjective input assumptions could materially affect the fair value estimation.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**24,670**	19,567
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**31,074**	36,896
Income tax received during the year	**–**	3,934
Income tax paid during the year	**(31,236)**	(35,727)
At 31 December	**24,508**	24,670

(b) Deferred tax assets and liabilities recognised:

The component of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets									Liabilities	
Deferred tax arising from:	Amortisation and depreciation expenses in excess of the tax allowances HK$'000	Accruals HK$'000	Credit losses allowance HK$'000	Write-down of inventories HK$'000	Impairment of Property, plant and equipment HK$'000	Tax losses HK$'000	Deferred income HK$'000	Provision for warranties HK$'000	Total HK$'000	Fair value adjustments on intangible assets and related amortisation HK$'000	Net HK$'000
Balance at 1 January 2020	4,591	13,898	10,187	2,994	–	1,591	162	1,632	35,055	(52,497)	(17,442)
Exchange adjustments	116	866	914	207	169	13	13	98	2,396	(3,420)	(1,024)
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(907)	(571)	4,787	252	3,024	(1,604)	50	(166)	4,865	2,919	7,784
Balance at 31 December 2020 and 1 January 2021	**3,800**	**14,193**	**15,888**	**3,453**	**3,193**	**–**	**225**	**1,564**	**42,316**	**(52,998)**	**(10,682)**
Exchange adjustments	**4**	**442**	**399**	**101**	**94**	**–**	**8**	**48**	**1,096**	**(1,550)**	**(454)**
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	**(959)**	**2,102**	**(4,610)**	**–**	**–**	**–**	**103**	**140**	**(3,224)**	**2,959**	**(265)**
Balance at 31 December 2021	**2,845**	**16,737**	**11,677**	**3,554**	**3,287**	**–**	**336**	**1,752**	**40,188**	**(51,589)**	**(11,401)**

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of unused tax losses, impairment provision and accruals arising from certain subsidiaries of the Group of HK$184,206,000 (2020: HK$109,925,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of HK$138,300,000 which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2021 will expire on or before 31 December 2026.

(d) Deferred tax liabilities not recognised

At 31 December 2021, temporary differences relating to the retained profits of the subsidiaries of the Group established in the PRC (excluding Hong Kong) amounted to HK$1,343,469,000 (2020: HK$998,249,000) of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK$'000 (Note 29(c))	Share premium HK$'000 (Note 29(d)(i))	Capital reserve HK$'000 (Note 29(d)(ii))	Treasury share reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2020	21,001	1,813,243	54,151	–	(75,641)	1,812,754
Changes in equity for 2020:						
Total comprehensive income	–	–	–	–	(13,445)	(13,445)
Purchase of own shares	–	–	–	(1,190)	–	(1,190)
Cancellation of shares (Note 29(c))	(30)	–	(1,160)	1,190	–	–
Dividends declared in respect of the previous year (Note 29(b)(ii))	–	(42,002)	–	–	–	(42,002)
Balance at 31 December 2020 and 1 January 2021	**20,971**	**1,771,241**	**52,991**	**–**	**(89,086)**	**1,756,117**
Changes in equity for 2021:						
Total comprehensive income	**–**	**–**	**–**	**–**	**31,207**	**31,207**
Dividends declared in respect of the previous year (Note 29(b)(ii))	**–**	**(52,428)**	**–**	**–**	**–**	**(52,428)**
Balance at 31 December 2021	**20,971**	**1,718,813**	**52,991**	**–**	**(57,879)**	**1,734,896**

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(I) DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2021 HK$'000	2020 HK$'000
Final dividend proposed after the end of the reporting period of HK$2.7 cents per ordinary share (2020: HK$2.5 cents)	**56,623**	52,428

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(II) DIVIDENDS TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE PREVIOUS FINANCIAL YEAR, APPROVED DURING THE CURRENT YEAR

	2021 HK$'000	2020 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$2.5 cents per ordinary share (2020: HK$2 cents)	**52,428**	42,002

(c) Share capital

AUTHORISED AND ISSUED SHARE CAPITAL

	2021		2020	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**5,000,000,000**	**50,000**	5,000,000,000	50,000
Issued and fully paid:				
At 1 January	**2,097,146,727**	**20,971**	2,100,126,727	21,001
Cancellation of shares	**–**	**–**	(2,980,000)	(30)
At 31 December	**2,097,146,727**	**20,971**	2,097,146,727	20,971

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(I) SHARE PREMIUM

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(II) CAPITAL RESERVE

The capital reserve represents (i) the difference between the carrying values of the controlling equity interests in subsidiaries acquired and the considerations paid under the reorganisation took place in 2011; (ii) the portion of the grant date fair value of unexercised share options granted to directors and equity shareholder of the Company and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments; and (iii) the share of the investee's net assets changes, other than profit or loss or other comprehensive income and distributions received.

(III) STATUTORY RESERVES

In accordance with the articles of association of the subsidiaries of the Group established in the PRC (excluding Hong Kong), these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers to these reserves are governed by the articles of association of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(IV) EXCHANGE RESERVE

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2(w).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and debt investments is limited because the counterparties are mainly banks and financial institutions with sound credit standing, for which the Group considers to have low credit risk.

TRADE RECEIVABLES AND CONTRACT ASSETS

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2021, 6% (2020: 6%) of the trade receivables and contract assets were due from the Group's largest debtor, and 20% (2020: 25%) of the trade receivables and contract assets were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group does not provide any other guarantees which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	As at 31 December 2021		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
within 1 year	**2.20%**	**772,468**	**(16,965)**
more than 1 year but within 2 years	**5.44%**	**227,869**	**(12,394)**
more than 2 years but within 3 years	**11.37%**	**70,150**	**(7,974)**
more than 3 years	**26.90%**	**169,380**	**(45,562)**
		1,239,867	**(82,895)**

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

TRADE RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

	As at 31 December 2020		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
within 1 year	2.55%	577,980	(14,731)
more than 1 year but within 2 years	7.01%	142,339	(9,984)
more than 2 years but within 3 years	10.16%	60,578	(6,152)
more than 3 years	38.16%	111,713	(42,632)
		892,610	(73,499)

Expected loss rates are based on actual loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2021 HK$'000	2020 HK$'000
Balance at 1 January	**73,499**	41,015
Exchange adjustments	**2,258**	3,642
Impairment loss recognised during the year	**7,138**	28,842
Balance at 31 December	**82,895**	73,499

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities which are based on contractual undiscounted cash flows and the earliest dates the Group can be required to pay:

	2021 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
Bank and other borrowings	**54,799**	**5,439**	**310,757**	**370,995**	**348,775**
Lease Liabilities	**18,315**	**19,854**	**25,862**	**64,031**	**58,267**
Trade and other payables measured at amortised cost	**1,033,181**	**–**	**–**	**1,033,181**	**1,033,181**
	1,106,295	**25,293**	**336,619**	**1,468,207**	**1,440,223**

	2020 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Bank and other borrowings	596,921	–	–	596,921	571,412
Lease Liabilities	8,103	8,290	7,806	24,199	22,478
Trade and other payables measured at amortised cost	859,923	–	–	859,923	859,923
	1,464,947	8,290	7,806	1,481,043	1,453,813

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to loans from related parties with a fixed-rate and other interest bearing borrowings. Cash flow interest rate risk in relation to bank balances and pledged bank deposits is considered insignificant. Interest rate risk is managed by the management of the Group on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rates. The Group's interest rate profile as monitored by management is set out in (i) below.

(I) INTEREST RATE PROFILE

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2021		2020	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Lease liabilities	**5.14%**	**58,267**	5.14%	22,478
Bank and other borrowings	**1.10% – 4.35%**	**348,775**	1.10% – 5.13%	558,342
		407,042		580,820
Variable rate borrowings:				
Bank and other borrowings		**–**	4.20% – 4.35%	13,070
Total borrowings		**407,042**		593,890
Fixed rate borrowings as a percentage of total borrowings		**100%**		97.8%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(II) SENSITIVITY ANALYSIS

Since the Group has no variable-rate borrowings at the end of the reporting period, no sensitivity analysis about interest rates risk is prepared.

(d) Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalent, other receivables and bank and other borrowings that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB and EUR.

(I) EXPOSURE TO CURRENCY RISK

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$)			
	2021		2020	
	RMB '000	**EUR '000**	RMB '000	EUR '000
Cash and cash equivalent	**–**	**40,483**	–	659
Other receivables	**17,025**	**–**	17,935	–
Bank and other borrowings	**–**	**(35,321)**	–	(38,142)
Gross exposure arising from recognised assets and liabilities	**17,025**	**5,162**	17,935	(37,483)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(II) SENSITIVITY ANALYSIS

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after taxation and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits HK$'000
RMB	**10%**	**1,703**	10%	1,794
	(10)%	**(1,703)**	(10)%	(1,794)
EUR	**10%**	**439**	10%	(3,186)
	(10)%	**(439)**	(10)%	3,186

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and retained profits measured in the respective functional currencies, translated into HK$ at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company receivables within the Group which are denominated in a currency other than the functional currencies of the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments measured at fair value

(I) FAIR VALUE HIERARCHY

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*, except for the fair value measurement of cash-settled share-based transaction set out in Note 27. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

		Fair value measurement as at 31 December 2021 categorised into
	Fair value at 31 December 2021 HK$'000	**Level 3 HK$'000**
Recurring fair value measurement		
Financial assets:		
Other financial assets		
– equity investments measured at FVPL	**67,576**	**67,576**
Put-options in connection with acquisition of Litmus	**1,069**	**1,069**
Contingent considerations	**27**	**27**

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments measured at fair value (continued)

(I) FAIR VALUE HIERARCHY (CONTINUED)

	Fair value at 31 December 2020 HK$'000	Fair value measurement as at 31 December 2020 categorised into Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Financial assets:			
Other financial assets			
– wealth management product	219,819	219,819	–
Put-options in connection with acquisition of Litmus	1,039	–	1,039
Contingent considerations	52	–	52
Financial liabilities:			
Contingent considerations, current portion	88,830	–	88,830
Contingent considerations, non-current potion	18,329	–	18,329

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(II) VALUATION TECHNIQUES AND INPUTS USED IN LEVEL 2 FAIR VALUE MEASUREMENTS

The fair value of unlisted debt investments are the estimated amount that the Group would receive at the end of the reporting period, taking into account current market interest rates of debt instruments with similar risk profile.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments measured at fair value (continued)

(III) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

Other financial assets – equity investment measured at FVPL

The valuation model of the fair value of unlisted equity investment in Cornerstone Huiying is based on adjusted recent transaction price or market multiples derived from quoted prices of companies comparable to the underlying investments, adjusted for the effect of the non-marketability of the underlying investments and price to equity value of the investee.

The Group determines the fair value of unlisted equity investment in Beijing Zhilian by using discounted cash flow model, considering multi-scenario probability. The significant unobservable inputs are the profit forecast of the investee.

Put-options in connection with acquisition of Litmus

The estimate of the fair value of the put-options received is measured based on Black-Scholes model. The expected exercise price, expected period, expected volatility of the price of the option, expected dividend yield, the risk free rate and market price of the option are used as the key inputs into the model with reference to the acquisition agreements and comparable companies historical trading information. The expected exercisable price is estimated based on pre-determined formulae at the date of grant. Expected dividends are based on historical dividends of Litmus.

Contingent considerations:

The fair value of contingent considerations are determined using valuation model considering the present value of expected receivables or payments, discounted using a risk-free discount rate.

The Group is of the opinion that the unobservable inputs used in the fair value measurements of contingent considerations receivable is not significant.

The unobservable inputs used in the fair value measurements of contingent considerations receivable is the expected cash flow by the year ended 31 December 2021. The expected cash flow payments used in the fair value measurements of contingent considerations payable was HK$ nil during the years ending 31 December 2022, as the directors of the Group are of the opinion that the Group has no obligation on paying for the remaining considerations based on the actual performance of the Huaqi Intelligent for the year ended 31 December 2021.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments measured at fair value (continued)

(III) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2021 HK$'000	2020 HK$'000
Other financial assets – equity investments measured at FVPL:		
Balance at 1 January	**–**	–
Increase due to investment	**67,270**	–
Gain included in "Fair value change on other financial assets"		
– Net change in fair value (unrealised)	**302**	–
Gain included in "Other comprehensive income"		
– Net foreign exchange gain	**4**	–
Balance at 31 December	**67,576**	–
Put-options in connection with acquisition of Litmus:		
Balance at 1 January	**1,039**	1,139
Loss included in "Fair value change on put-options"		
– Net change in fair value (unrealised)	**–**	(164)
Gain included in "Other comprehensive income"		
– Net foreign exchange gain	**30**	64
Balance at 31 December	**1,069**	1,039
Contingent considerations receivable:		
Balance at 1 January	**52**	181
Loss included in "Fair value change on contingent considerations"		
– Net change in fair value (unrealised)	**(26)**	(132)
Gain included in "Other comprehensive income"		
– Net foreign exchange gain	**1**	3
Balance at 31 December	**27**	52
Contingent considerations payable:		
Balance at 1 January	**107,159**	280,385
Decrease due to payment	**–**	(71,942)
Gain included in "Fair value change in contingent considerations"		
– Net change in fair value (unrealised)	**(18,601)**	(106,972)
Loss included in "Other comprehensive income"		
– Net foreign exchange loss	**2,880**	5,688
Reclassification to other payables	**(91,438)**	–
Balance at 31 December	**–**	107,159

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2021 and 2020.

31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with equity shareholders of the Company and their affiliates

	2021 HK$'000	2020 HK$'000
Repayment of loans from a fellow subsidiary	**(200,000)**	–
Interest of loans from a fellow subsidiary	**24,809**	26,084
Interest income from loans to an associate	**573**	–
Provision of design, implementation and sale of application solution services	**232,379**	110,725
Provision of maintenance of application solution services	**62,758**	48,133
Purchases of goods and service (Note 34)	**43,635**	40,184
Lease expenses	**7,919**	3,902
Net increase in contract liabilities	**5,399**	14,392

(b) Transactions with joint ventures and associates

	2021 HK$'000	2020 HK$'000
Purchases of goods and services	**146,071**	109,415
Provision of design, implementation and sale of application solution services	**21,399**	–
Dividend from joint ventures and associates	**2,802**	4,725

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

	2021 HK$'000	2020 HK$'000
Short-term employee benefits	**21,180**	11,479
Retirement scheme contributions	**818**	49
	21,998	11,528

Total remuneration is included in "staff costs" (see Note 6(b)).

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with other state-controlled entities in the PRC

The ultimate holding company of the Company, 北京市基礎設施投資有限公司 ("Beijing Infrastructure Investment Co., Ltd.") ("BII"), is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 31(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- provision of design, implementation and sale of application solution services;
- maintenance of application solution services;
- infrastructure information related services;
- bank deposits;
- bank loans; and
- purchase of other financial assets.

(e) Applicability of the Listing Rules relating to connected transactions

For the year ended 31 December 2021, the above related party transactions in respect of the provision of design, implementation and sale of application solution services, the provision of maintenance of application solution services and leases, with affiliates of equity shareholders of the Company where applicable, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing connected transactions" of the Directors' Report.

32 THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investments in subsidiaries	14	**570,757**	570,757
Interest in a joint venture		**294,735**	294,735
		865,492	865,492
Current assets			
Other receivables		**1,003,618**	968,142
Cash and cash equivalents		**166,573**	425,372
		1,170,191	1,393,514
Current liabilities			
Accrued expenses and other payables		**787**	2,889
Net current assets		**1,169,404**	1,390,625
Total assets less current liabilities		**2,034,896**	2,256,117
Non-current liabilities			
Other borrowings	23	**300,000**	500,000
NET ASSETS		**1,734,896**	1,756,117
CAPITAL AND RESERVES	29		
Share capital		**20,971**	20,971
Reserves		**1,713,925**	1,735,146
TOTAL EQUITY		**1,734,896**	1,756,117

Approved and authorised for issue by the board of directors on 29 March 2022.

Cao Wei
Director

Xuan Jing
Director

33 IMPACTS FROM COVID-19 PANDEMIC AND HEIGHTENED GEOPOLITICAL TENSIONS

The Covid-19 pandemic since early 2020 and the heightened geopolitical tensions arising from recent events continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the gradual easing of the original Covid-19 pandemic in Mainland China, various travel restrictions and preventive measures are still in place to avoid wide-spread of the Covid-19 pandemic. In addition, the heightened geopolitical tensions arising from recent events across the globe brings additional uncertainties to world economies as these events developed. Accordingly, the Group continues to closely monitor these possible impacts have on the Group's businesses and keep contingency measures in place and under review. The directors of the Company confirm that these contingency measures include but not limited to maintaining regular communication with customers and suppliers through online and remote working model to ensure the normal operation of business, improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on extension of payment terms, steadily promoting resumption of work and operation and taking various measures to reduce the cost and increase efficiency.

As far as the Group's businesses are concerned, the Covid-19 related preventive measures and heightened geopolitical tensions may impact the supply and price of some raw materials and/or impact the progress and delivery of some projects and hence the profitability of the Group's operations. The Group will keep the contingency measures under review as the Covid-19 pandemic and heightened geopolitical tensions situation evolves.

34 COMPARATIVE FIGURES

In November 2021, the directors of the Company became aware of the fact that a supplier, which was considered as a third party of the Group, had become a related party of the Group since 19 June 2019. The board of the Company has subsequently approved the transactions with the supplier for the period from 19 June 2019 to 31 December 2021 on 29 March 2022. The amount of the transactions with the supplier was HKD42,840,000 for the year ended 31 December 2021 (2020: HKD40,184,000) and the amount of trade payables due to this supplier was HKD46,087,000 as at 31 December 2021 (as at 31 December 2020: HKD49,686,000), respectively. Comparative figures in respect of material related party balances and transactions have been adjusted as disclosed in Notes 22 and 31(a).

35 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2021, the directors of the Company consider the immediate and ultimate controlling party of the Company to be Beijing Infrastructure Investment (Hong Kong) Limited, a company incorporated in Hong Kong, and BII, a company established in the PRC, respectively. Neither of these companies produces financial statements available for public use.

(Expressed in HK$ unless otherwise indicated)

36 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

京投軌道交通科技控股有限公司
BII Railway Transportation Technology Holdings Company Limited

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